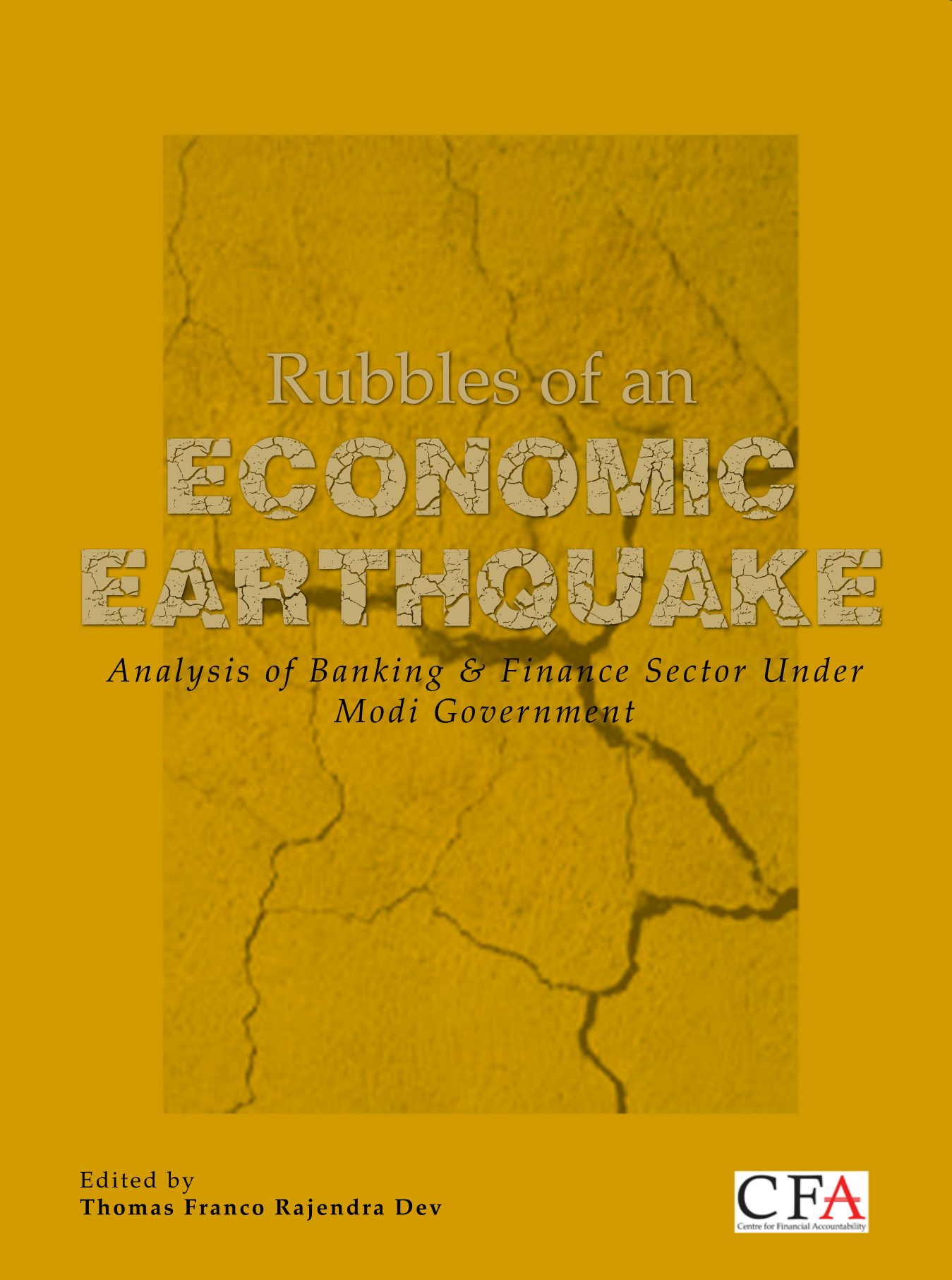




Rubbles of an **ECONOMIC EARTHQUAKE**

*Analysis of Banking & Finance Sector Under
Modi Government*

Edited by
Thomas Franco Rajendra Dev

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Brief Bio of Contributors

Jayati Ghosh is Professor at the Centre for Economic Studies and Planning, Jawaharlal Nehru University, New Delhi.

C.P. Chandrasekhar is Professor at Centre for Economic Studies and Planning, Jawaharlal Nehru University, New Delhi.

Praveen Jha is Professor at the Centre for Economic Studies and Planning, Jawaharlal Nehru University, New Delhi.

Dinesh Kumar Abrol is Professor, Institute for Studies in Industrial Development, Jawaharlal Nehru University, New Delhi.

John Rollins is Research Associate at Institute for Studies in Industrial Development, Jawaharlal Nehru University, New Delhi.

Archana Prasad is Professor, Centre for Informal Sector and Labour Studies, Jawaharlal Nehru University, New Delhi..

M.G. Devasahayam is former Indian Administrative Service officer.

Nishank is Research Associate in Centre for Financial Accountability.

Priya Darshini is Senior Research Associate in Centre for Financial Accountability.

Thomas Franco Rajendra Dev is a former General Secretary of All India Bank Officers' Confederation. Currently, he is serving as General Secretary, SBI Pensioners Association, Chennai.

Preface

In the past four and a half years, the country has gone through a major socio-political and economic upheaval as never before. At no point in the recent history has the country as a whole, and more importantly the marginalised sections of the society, been subjected to such distress. Looking at each section of the society, whether it is farmers, small business, students, teachers / academics, women, adivasis, religious minorities, dalits, fisherfolk, civil society, intellectuals or journalists, each of them have faced the brunt of this government. Democratic processes have been scuttled, institutions were undermined and witnessed heavy partisan interference, shrinking democratic spaces and gagging voices that would question the government.

But questions have been plenty! For, May 2014 guaranteed good days ahead, jobs aplenty and economy doing miracles. However the ensuing four years have a different and uncomfortable story to say. As in any responsible and functioning democracy, the track record of the government should be put under scrutiny by its citizens as a step towards holding the government accountable. There are many efforts in this direction. This book is a small effort towards looking closer into the economic and developmental track record of the last four and a half years.

For this alone, is a daunting task, considering the tectonic changes happened in the sector. Demonetisation, GST, failed attempt for the Financial Resolution and Deposit Insurance Bill, bank mergers, weakening and undermining the powers of RBI, the tension between the Govt and RBI, IL&FS scam, LIC bailing out IDBI are only a few out of the many steps this government has taken, which have collectively shaken the foundations of Indian economy and subjected its citizens to innumerable sufferings and distress. Joblessness, reverse migration, farm distress and sluggish industrial growth have only fuelled the distress and disenchantment.

Hence, the need for a book that would both give an overall perspective of the economic changes and capture the impact of some these policies was felt by many. The conversations have led to this book - “Rubbles of an Economic Earthquake”, which is a product of a collective effort. I would like to thank Com. Thomas Franco for agreeing to edit this, taking the time to reach out to the contributors, following up with them and encouraging us to bring this out in a short time. I would also like to thank all the contributors who graciously agreed to contribute to this.

This by no way is a complete analysis of the economic performance of Modi government. But an attempt to look into some of the key aspects of impacts on the economy. We hope that this will help readers to understand and initiate some conversations on the economic performance of this government.

Joe Athialy

Centre for Financial Accountability

Introduction

Centre for Financial Accountability is bringing out this book at the appropriate moment and this should reach millions of people.

The authors have done a great job within a short time and I thank them. I am not an expert to edit articles written by great economists and scholars. I have only co-ordinated the efforts.

Prof. C.P.Chandrasekhar has analyzed in a nutshell the policies of the Modi Sarkar which has lead to increasing burden on the common man. He analyses the promises made during the election, the farm crisis, the GDP jugglery, increasing unemployment, effects of demonetisation, GST and proves that the promises have not been fulfilled at all.

Prof. Jayati Ghosh has brilliantly analyzed the farm crisis, outlining the recommendations of the Agriculture Commission (Swaminathan Commission) starting with land reforms, distribution of surplus lands, preventing diversion of prime agricultural land and forest to corporates etc. She has analyzed in details that the promise of 'achhe din' for farmers who would see their income double in five years has not been materialized but in reality the opposite has happened.

Prof. Praveen Jha looks into the assault on the Reserve Bank of India, in the context of the overall subversion and undermining of key institutions across the board.

Mr. M.G.Devasahayam has dealt with concentration of wealth, increasing income inequality and has come out with effective alternatives. He highlights that Bharatmala and Sagarmala are nothing but land grab for the corporates.

Prof. Dinesh Abroal and John Rollins argue in details that development for all remained a slogan on paper during the period of last four years.

Prof. Archana Prasad demonstrates that the Jan Dhan-Aadhaar-Mobile (JAM) strategy of Modi government has proved to be detrimental to the interests of the women as it has made them dependent on oppressive non-banking financial companies.

Nishank has beautifully analyzed the Insolvency and Bankruptcy Code (IBC) with available data which proves that the scheme is only helping the corporates and defaulters and not the banks.

Priya Darshini has brilliantly outlined the origin of the FRDI Bill, its effects if it is passed, the campaign against it and how the civil society, AIBOC and the people could shelve this Bill.

I have analyzed the demonetisation exercise which amounts to another scam looking at the promises of Modi and the real effects of demonetisation.

This compilation has also demands for changing the banking sector towards larger majority which is to be submitted to political parties to include in their manifesto.

I once again thank the authors for their excellent analysis of Modi rule and appeal to every citizen of this country to engage with the electoral system more deeply, by critiquing and questioning the government and political parties on their socio-economic performance and their commitments.

Thomas Franco Rajendra Dev

1. The Economy Under the Modi Sarkar

C. P. Chandrasekhar

Elections 2014 were remarkable for a number of reasons. First, the BJP and the opposition NDA alliance sought to frame their campaign as a battle to make Narendra Modi Prime Minister and establish not just NDA rule but a Modi Sarkar. A second remarkable feature of the election was the effort to make 'development' and governance central planks of the official campaign, backed by a promise to replicate a Modi-manufactured 'Gujarat model' across the country, while leaving the divisive propaganda and slogans like the temple at Ayodhya, to the party workers, RSS cadre and fringe groups at the grassroots.

Four-and-a-half years later, Modi would possibly be regretting these features of the campaign that brought him to power. By all accounts the economy is doing poorly, with a devastated farm sector, a damaged informal economy with its medium, small and micro enterprises, large scale unemployment among the youth, and persisting deprivation.

Fixing growth

In fact, if there is one set of figures that do not reflect how the economy performed under the Narendra Modi government, they are the GDP numbers. Generated first for the years from 2011-12 on the basis of a new, substantially revised, methodology, they raised the level of growth in the Indian economy relative to that indicated by the previous series. Much scepticism had been expressed about these numbers, including by the then Chief Economic Adviser to government. Subsequently, the effort to generate a "back series" extending the

figures backwards in time, has been even more controversial, with multiple official versions, of which one has been accepted and endorsed by the Prime Minister's chosen economic spokespersons. Not surprisingly, these figures show, contrary to what another set developed by a committee established by the National Statistical Commission indicate, that the economy grew at a faster pace under Modi than it did under the UPA. This convenient outcome has only strengthened suspicions that numbers have been manipulated for propaganda purposes.

Farmers' distress

However, this is unlikely to work. Rather what has taken front stage in the run up to the election is the desperate plight of the farming community highlighted by multiple, massive protests by farmers and agricultural labourers. These protests have driven home the fact that the viability of agriculture is under challenge. The fundamental problem is that farm product prices have failed to keep pace with galloping costs. Policy has had a major role to play here, with increases in Minimum Support Prices (MSPs) way short of what was prescribed by the Farmers' Commission, at a time when the prices of inputs such as fertiliser and costs of items such as diesel fuelling tractors have risen significantly. While the increase in MSP over the tenure of the NDA matched that under UPA 1, they were way below increases during the tenure of the UPA 2 government. A research report from rating agency CRISIL has found that "While the average annual growth [in MSP]

between agriculture year 2009 and 2013 was 19.3 per cent, it was only 3.6 per cent between 2014 and 2017," and argues that this deceleration during the tenure of the current government has added significantly to farmers' distress. A study specifically of pulses reported that: "Cost of cultivation increased 3.7 per cent year-on-year in agriculture year (July to June) 2016-17, compared with 2.8 per cent in the previous year and hence increase in MSPs did little to stem the fall in their [farmers'] earnings."

The impact of all this has been particularly severe among those dependent on agriculture. Economist Prabhat Patnaik has estimated that over the three-year period 2014-15 to 2016-17, the income per head of the agriculture dependent population increased by 16 per cent in nominal terms. Over the same period inflation based on the Consumer Price Index for rural India rose by 16.3 per cent. This implies that the real, inflation-adjusted incomes of the agriculture dependent population, which would be around half of the country's inhabitants, stagnated. This based on national income statistics which even sections in government are skeptical about.

Jobless growth

Meanwhile, employment opportunities outside agriculture have not been growing. According to the 2011 census, 422 million of India's 1.3 billion people were in the age group 15-29. Around 13 million people enter the job market every year. They are not finding jobs. India's Labour Bureau has in recent years been conducting quarterly and annual surveys of employment, and its data indicates that job creation is shrinking. Going by the annual household surveys, total employment (on a principal status basis) among those aged 15 and above fell by 3.7 million between 2013/14 and 2015/16. The fall has been occurring not just in the agricultural sector (especially for women), but also in manufacturing and

construction in urban areas (especially for men). The sector that is recording a rise in employment is retail and wholesale trade, which appears to be the sink for the unemployed in the country, offering jobs with low wages and no job security, not to mention social security.

Demonetisation

These tendencies in economic performance under Modi were only intensified by botched policy in the form of demonetisation and the Goods and Services Tax (GST). The decision to withdraw the legal tender status of more than 86 per cent of the currency in circulation, in the form of Rs. 500 and Rs. 1,000 notes, shocked the nation. It also sucked out nearly all purchasing power from the system. The notes had to be handed over to the central bank through the banking system in a short period of time, and could not be replaced quickly with new notes since the capacity of the mints was such that it would take months to replenish the withdrawn currency. However, empty ATMs, long queues at banks, and an inability to transact because of being cashless, were only the surface symptoms of a much deeper crisis that the freezing of purchasing power entailed. Those symptoms were bad enough, as reports of the deaths of more than a 100 people for reasons related to demonetization and its effects revealed. But, the real impact was the massive loss of non-agricultural jobs and livelihoods, following the temporary or permanent closure of a range of economic activities, and severe damage of the agricultural sector that was confronted with the currency squeeze when it had one crop to harvest and sell and another to sow. The pain the decision inflicted is not just be a memory. Its after effects are still with us in terms of slower growth and unemployment.

Large scale employment and unemployment surveys conducted by the Centre for Monitoring the Indian Economy showed

that about 1.5 million jobs were lost between the demonetisation quarter September-December 2016 and the subsequent quarter January-April 2017. But this was the immediate impact. The fact that the misery of cashlessness persisted meant that many businesses, especially in the small scale and informal sectors, had to close or accept lower returns. Banking too had to set aside its normal business of providing credit and focus on receiving old notes and injecting new currency into the system. This not only kept people out of work but shrank national output. Estimates on the loss of GDP as a result of the demonetisation shock must necessarily be speculative, but vary from 1-1.5 per cent of GDP. That is a lot of money in a poor country with severe inequality.

The fact that the government, the Reserve Bank of India and the banking system were completely unprepared for this massive and thoughtless experiment came through not only from the chaos, but also from the inability of the RBI to establish till just a few months back how much of the money that was in circulation in the form of the demonetised notes came back to the banking system. And when it did, the information was even more shocking: more than 99 per cent of the currency that had been declared illegal tender had come back into the banking system in the few weeks following the demonetisation announcement. Out of the Rs 15.41 lakh crore worth of currency notes of Rs 500 and Rs 1,000 denominations that were demonetised, only Rs 10,720 crore did not return to the banks or the RBI.

GST

Even as the nation was limping its way out of the mess of demonetization, the government sought to implement in haste the GST. It is close to one-and-a-half years during which the much-heralded Goods and Service Tax (GST) regime had been in place. When launched, in a propaganda blitz that (wrongly) claimed that this “one nation, one

tax” system was a game-changer, the government had promised that the new regime would help the Centre and the states to efficiently mobilise the resources needed to put India on a high growth trajectory.

And now it is becoming clear that GST is proving a failure too. In fact, from the beginning of its implementation it was clear that the new tax regime was not what it was claimed to be. To start with, after much negotiation, the nation has been given a structure with seven rates varying from zero to 28 per cent (0, 0.25, 3, 5, 12, 18 and 28 percent). In the case of goods and services produced and sold in the same state, these rates are split between a central tax and a state tax. There is also a cess on sin and luxury goods to mobilise resources that compensate states for loss of projected revenue due to a shift to the new regime for a period of five years. This multi-tax structure does not simplify the system too much, and only promises to do away with the cascading effects of the erstwhile excise duties and sales taxes.

Given these different GST rates, the GST Council is constantly subject to pressures to shift commodities and services to lower tariff groups. Governments are not always strong enough to resist such pressures, as was evident from a July 21 decision to reduce rates on “non-essential” commodities such as washing machines, refrigerators, vacuum cleaners and cosmetics. Adjustments of this kind combined with the flawed nature of the GST have meant that the new regime is not delivering the promised revenues, and the division of revenues raised between the Centre and the states favours the former.

It has been long enough for the much-hyped experiment with the new taxation regime to stabilise, allowing for an assessment of its efficacy and procedural simplicity. The numbers suggest that the performance of the new tax is more than just disappointing, but

in fact fiscally damaging. Overall, revenue generation from GST has been far short of expectations. The government's own pruned target for average collections for fiscal year 2017-18 was Rs. 91,000 crore. The actual collections during the first 8 months of the new regime were Rs. 7,41,000 crore, making for a monthly average of Rs. 89,885 crore, which was more than Rs. 1,000 crore short of target every month. The monthly average target for 2018-19 has been set at Rs. 1,00,000 crore, while the average realisation during the first five months of the current financial year is Rs. 96,706 crore. In fact there has been only three months for which figures are available when GST collections exceeded Rs. 1,00,000 crore.

Concealing intent

Besides botched policies, in the policy realm, there have been two other marked trends. First, the rapid rush to liberalization, almost as if to prove that this Modi government is more "reformist" than the UPA and Congress governments that were largely responsible for introducing and taking forward the liberalization agenda in the country. An unflinching commitment to fiscal deficit reduction, a relentless pursuit of the GST, the return to the policy of 'strategic sale' of public sector enterprises that offers management control through acquisition of a minority stake, and the baseless clamour for labour market flexibility, are all indicators of one-upmanship in the neoliberal reform area.

The second has been a reliance on hype as a means of diverting attention from issues and outcomes that matter for the lives and livelihoods of India's poor and lower middle classes. Slogans such as Skill India, Digital India, Start Up India and Make in India, that are made to parade as programmes though they lack any real substance, are poured into an expensive propaganda machine that is geared to making it appear that there is much the government is doing. When

interest in these flag, as happened by the third year of the government's term, special headline-grabbing manoeuvres such as demonetization are resorted to.

What Modi did was to combine this propaganda with massive payoffs to big business in the form of concessions varying from written off 'bad loans', and transfers and implicit subsidies to regulatory forbearance and sops of various kinds. It was this undeclared thrust of the policy regime that soon showed up in large non-performing assets, loan write offs and land, resource and environmental conflicts.

The loser in all this is, of course, the common person. If the rich are to be given the benefit of low taxation and free lunches and the deficit in the central budget is to be sharply curtailed, expenditure must be the casualty. With the government wanting to show that it is building India's infrastructure, China-style, the axe must fall on social expenditures. The net result has been that programmes, such as the Mahatma Gandhi National Rural Employment Guarantee Scheme and the National Food Security programme, that had been adopted by the UPA government to give neoliberalism a human face, are being deprived of funding. Despite being a programme that must be demand driven and despite large arrears on past wage payments, allocations for the MGNREGS have hardly risen. The ICDS has not been universalized despite intervention by the courts. And the NFS programme has been virtually starved of funds. This combination of deflationary budgets and cuts on important social sector programmes has had extremely adverse effects on a large part of a population that is already at the margins of subsistence.

2. Financing of Development for All Under Modi Government: What Do Last Four Years Tell?

Abrol D K and John R.

Introduction

Recent state election results indicate that the people in these states are certainly dissatisfied with the pace and directions of development processes. Analysts however also suggest that in the states going for elections the incumbent BJP governments were in power for close to fifteen years. There is also the argument being advanced that the elections for government at the Centre will be fought on the performance of Modi as Prime Minister at the Centre. Therefore, in the wake of the ongoing preparations for the forthcoming elections to Lok Sabha the role and performance of central government should receive more public scrutiny. There have been a large number of claims made from the side of Modi Government. Similarly, there also exist counter claims from the side of opposition to Modi. An independent analysis of actual gains and losses supported by evidence building would help the people to decide in a better way. The people do know by now how the UPA schemes were relabeled, and also the fact of how the people are beginning to recognize that some of the new policy steps taken by the Modi government were completely crazy. However, they also want to know how much of support these relabeled schemes actually received from the Modi administration on the ground.

Our own independent analysis suggests that the financing pattern and the institutional arrangements created to support the relabeled schemes lacked patient development finance. It is also clear that the

progress made vis-a-vis the design of institutional arrangements for the implementation of relabeled schemes was tardy on the ground. The result is poor outcomes for the “development for all” plank. Notwithstanding the claims of the spokespersons of the Modi government there is certainly information available on the progress made in the public documents. Analysis of these documents shows that how the pattern of public investment changed and the provision of credit support and the related institutional arrangements under development deteriorated to the detriment of development for all in practice. Development for all remained a slogan on paper during the period of last four years.

Developmental expenditure did not grow commensurably

Developmental expenditure did not grow commensurably in agriculture, industry, education and health to give a boost to the goals of development for all. See Table 1 for the year on year growth rates. Public sector investments remained stagnant.

Development process came to be dependent on private investment of the corporates. Dismal performance on the front of self-employment and job creation is on account of not concentrating on the development of robust institutional arrangements to implement public investments as well as lack of meaningful credit support to unorganized sector (See the graphs on sectoral deployment of non-food credit outstanding for the details). The revised estimates of national income show that the share of households in gross fixed capital

formation has dropped from 45.9% in FY 12 to 31.8% in FY17. The sharp slowdown in gross fixed capital formation-from 34.3% of nominal GDP in FY 12 to 28.5% in FY 17-is a result of a starker fall in capital formation at the household level, which fell from 15.7% of GDP to 9.1% during the same period. According to the Economic Survey 2017-18, data on credit disbursed by banks shows that out of a total outstanding credit of Rs. 26.04 billion as in November 2017, 82.6% of the amount was lent to large enterprises and MSMEs got only 17.4% of total credit.

Gross domestic product (GDP) growth during the April-June quarter (Q1) of 2014-15 over the previous year was 7.5%; in Q1 of 2017-18 it was 5.7%. The Index of Industrial Production (IIP) was about 5% in 2014-15, but declined to about 3.3% in 2015-16 and improved marginally to around 4.6% in 2016-17. Domestic savings have been declining, led by the household sector that made up over 70% of total domestic savings in 2005-06 (or 23.5% as a proportion of GDP). This reduced to 60% in 2015-16 (or 19.2% as a proportion of GDP), lower than what it was in 2007-08, both as a proportion of total domestic savings and as a proportion of GDP. Total expenditure by the union government that was 15.8% as a proportion of GDP in 2009-10 reduced to 13.9% in 2013-14, and is estimated to be 12.7% in 2017-18. With inadequate public expenditure and employment creation, little was done to improve demand conditions

In India, MSMEs not only contribute to the country's GDP, but also generates large scale employment across the nation. Contributing 32 % of the country's Gross Value Added (GVA), MSMEs have the potential to pave the way for industrialization in rural areas and backward regions. But MSMEs came to be handicapped by a dearth of credit even more ever than before during the period of last five years. Extension of credit has been

low for the SME sector in the country despite lower level of non-performing assets (NPAs). Self-employment requires financial support as well as institutional back up from the government. Even from the above provided statistics of gross fixed capital formation it is clear that compared to the earlier periods of UPA rule the creation of good quality assets suffered far more at the household level.

Reliance on NBFCs could not get micro and small units to revive from the impact of demonetization

The non-banking finance institutions (NBFCs) seem to have been brought in to the forefront by the current government for the financing of micro, small and medium scale enterprises (MSMEs). The new financing arrangements under development prefer to rely on non-banking finance to support the programmes of self-employment. NBFCs are companies engaged in the business of making loans/advances, acquisition of shares/securities, hire purchase finance, insurance business, and chit fund activities (a type of rotating savings and credit associations).

In 2016, the Government introduced through the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) anew institutional arrangement with a view to extend refinancing support to NBFCs. After 2016 through this scheme the NBFCs have been given preferential treatment over the commercial banks by the government. Now the NBFCs can also provide collateral free and/or third party guarantee free credit facilities to micro, small and medium enterprises (MSMEs).

The rise in the share of credit of NBFCs in total credit means on the one hand higher costs of credit and on the other hand increased systemic risk and financial exclusion for the most vulnerable sections. Although there is adequate liquidity

available for the NBFCs and housing finance companies, but the Reserve Bank of India has been under pressure from the government to start a special liquidity window for NBFCs and housing finance companies. Both the Government and the Central Bank, within the Framework of the RBI Act, is an essential and accepted governance requirement which the Government wants to negate and play with for a risky game capable of increasing systemic risks.

During the five-year period the share of the NBFCs in the consumer durables financing jumped to 32 per cent in FY 17 from 19 per cent in FY 13. The Economic Survey, Volume 2 for 2016-17 mentions that the total balance sheet size if the NBFC sector stood at Rs. 12.56 lakh crores which is about 200 billion dollars. The greater role of the NBFCs in resource mobilization, and hence credit intermediation, albeit partially grew to make up for low bank credit. Problems in the banking sector are leading to greater reliance on non-banks for borrowers as well as savers.

Now the NBFCs are a major channel for providing financial support to micro enterprises and transport operators. Bank lending to priority sector including agriculture witnessed a de-growth in the last couple of years. Many of the new NBFCs have got floated in the domains of agricultural marketing and warehousing companies, primarily to service their existing clients. New private banks emerged as the largest lender to NBFCs replacing nationalized banks. There is already the news that IDFC Bank which came into being in 2015 has lost 15.91 per cent since, while its parent IDFC gained 16.33 per cent. NBFCs with subsidiaries outsmarting the parent companies is the new feature of India's financial sector.

Now the NBFCs want to convert themselves

into banks. This is because there are built-in limits to growth of the NBFCs. During the period of last four years, there are even reports itself from the FIDC (a self-regulatory organization of NBFCs registered with RBI) that they are already faced with some deterioration in their asset quality. The NBFCs provide today the last mile connectivity in many domains. Shadow banking activity capable of expanding systemic risks is on the rise; in 2015 the reported annual growth of other financial intermediaries (OFIs) was 18.4%. The NBFCs are also being refinanced by MUDRA.

In practice, this suggests that the dependence of self-employed vulnerable sections will now grow on the non-banking finance. Due to this institutional development alone, it should be clear that for the most vulnerable sections of people financial exclusion was deepened further and not reduced during the period of current government in India. There was lack of longer-term plan investment. Rather than the people getting the required back up from the longer-term financing based institutional arrangements they are now at the mercy of moneylenders and pawn brokers.

Decent self-employment is not possible without patient finance, sustained technology back up and market support

Decent self-employment requires not only finance but also technology and market support from the side of the government. The provision of adequate finance to allow the enterprise to grow and develop is a necessary condition. Without technology back up and market support MSMEs are unable to compete in the markets as they are constituted. Generally speaking, the NBFCs are not known to build into their backup and support arrangements these two conditions. NBFCs are costly and risky

financial intermediaries. They are known for charging high interest rates. Clearly the most vulnerable segments of the population would not be able to generate sustainable livelihoods with their help and assistance. Moreover it is not possible to sustain the livelihoods of micro and small scale units when the government is anyway bent on destroying them and the jobs provided by them through demonetization and GST.

Post demonetization, micro and small enterprises have suffered 35 % job losses and 50 per cent dip in revenue (AIMO, 2018). According to the report of AIMO, cash flow has become zero. Fund-raising has been choked. Banks are unable to work on proposals. Uncertainty over Goods and Service Tax (GST) has done rest of the damage. The impact of the pro-big business measure of goods and service tax (GST) has been confirmed by the surveys of All India Manufacturers Organization (AIMO). This is the emerging pattern of ill-health of micro, small and medium enterprises (MSMEs).

Their ill health is very much visible and confirmed in the decline in deployment of industry wise gross credit. Jobs creation needs hand holding, technical support, demand creation and longer-term planning. With the destruction of planning commission there is no other planning institution to steer and coordinate the developmental effort in collaboration with the ministries and developmental agencies. Fulfillment of the promise of “development for all” needed committed people and institutions capable of creating new communities. Community polarizing carriers of development cannot support democratic identities to build sustainable interdependence.

It is also well evident from the analysis made that the necessary and sufficient back-up of development finance was absent under MUDRA scheme for the benefit of

improving the situation with regard to self-employment. Lacking in sincere commitment towards the implementation of relabeled schemes their progress has been quite tardy in practice. Data shows that at the end of FY 2017, Mudra had disbursed Rs. 6,863 crores through refinance from its corpus of Rs. 20,000 crores. Although under the scheme, loans up to Rs. 10 lakhs are provided to small entrepreneurs to set up micro units, but over 90% beneficiaries under the Mudra scheme were given loans of less than Rs. 50000. An amount of Rs. 50000 or less could have hardly helped any one setting up or expanding a business capable of giving jobs to others.

A report by think tank Skoch suggests that the total number of jobs through Mudra could not be more than 1.68 crore. Since similar schemes have been implemented by the UPA too it is necessary to provide a detailed analysis of how many jobs should one expect from Mudra. The number of large sized loans-of more than Rs. 5 lakhs- that can create real jobs are just a tiny percentage or 1.3 % of total loans disbursed under the scheme. The balance loans were in sizes of less than Rs. 50,000 and of between 50,000 and Rs. 5 lakhs. Specifically, Mudra loans were of average size of just Rs. 52,000. A break up of the data disclosed that of the total 13.47 crore people who have availed of Mudra loans since its inception in 2015, 12.23 crore received the pay-outs under the Shishu category. Over 1.04 crore people got loans under the Kishore category and only about 19 lakh people received the pay-outs under the Tarun category. Not only granting loans of Rs. 50,000 or less defeats the very purpose of the scheme but also many of such people may not also return the money to banks.

Banks and micro finance institutions (MFIs) account for roughly 65% and 35% of lending under the Mudra scheme. There are only 14

urban cooperative banks and state cooperative banks that are registered under the Pradhan Mantri Mudra Yojana. The Indian Cooperative publication states that there are more 1500 urban cooperative banks in the country and this figure of 14 cooperative banks is involved in the scheme is indeed depressing. Lack of support for cooperative banks is in complete contrast from the “most generous” support extended from the side of the current government under Mudra to the NBFCs who have been given freely support without any proper regulation.

Out of the 12 crore beneficiaries, 28 percent are first time entrepreneurs. They have been approved without any guarantee with no one to hand hold. Cooperative banks could have played a positive role, but alas there is discrimination. Loans to women fell to 29 million or 73 % of the 39.7 million total loans sanctioned under the Pradhan Mantri's Mudra Yojana in 2016-17 from 79 % of 35 million in 2015-16, according to a reply by finance minister to the Lok Sabha ON Jan 5, 2018. The Modi government may also have to get soon ready for clearing up the Mudra loans mess that has added more concerns in the banking system. Alarmed at the Mudra loan worries, the chief of a leading public sector bank said recently, “Despite recovery of credit growth in the industry, banks may come under fear cloud with a huge amount of Mudra disbursement being aided and supported by the government”.

It is not surprising that the propaganda and publicity blitz of the ruling party are unable to sustain the fake news of good sound performance even with the doubling of investment on government advertisements. The divisive politics of othering of the people by creating categories of “Automatic Patriotic Hindus and Unpatriotic Minorities”, “Nationalists” and “Anti-nationalists”, “We” and “They” cannot

bring together people. How can a government produce livelihoods by breaking the local communities? Evidence suggests that the slogan of “development for all” lost all its meaning.

There is virtually no evidence for the claim of modi rule as an era of “development for all”

The Modi Government failed in providing financial support and necessary back up in the form of suitable institutional arrangements to the scheduled castes and minorities. It is evident from the evidence available that the failure of Modi Government is colossal on the front of development of their livelihoods.

What happened to credit for the enterprises of Scheduled Castes

The Standing Committee on Social Justice and Empowerment (2017-2018) found that the Schemes like Shilpi Samridhi Yojana (SSY), Mahila Kisan Yojana (MKY), Nari Arthik Sashaktikaran Yojana (NASY), Green Business Scheme and Vocational Education and Training Loan Scheme (VETLS) under implementation for the socio-economic development of Scheduled Castes living below double the poverty line have failed to receive the support of the Modi government. Recently only the Committee noted with complete dismay the extremely poor performance of all of these Schemes in terms of number of beneficiaries. Even the quantum of assistance provided by the Corporation in the range from up to Rs. 1.50 lakh to Rs. 30 lakhs is not being disbursed. It was noted that there are no beneficiaries at all under Nari Arthik Sashaktikaran Yojana (NASY). Under Vocational Education and Training Loan Scheme (VETLS), there have been no beneficiaries for the last five years, except 21 beneficiaries in 2016-17. The same is the case with Green Business Scheme with 40 and 20 beneficiaries in 2016-17 and 2017-18 having 1265 beneficiaries in total four years. Even under Shilpi Samridhi Yojana

there are mere 324 beneficiaries in the last five years.

Mahila Kisan Yojana is exclusively meant for Scheduled Caste women beneficiaries living below Double the Poverty Line (DPL) for income generating ventures in agriculture and/or mixed Farming related economic activities. Taking note of the fact that only 915 beneficiaries are there under this scheme in the last five years, the Committee wonder why at all the Corporation has introduced this Scheme in a country keeping in mind that very few women, that too under DPL category, have land ownership rights. The Committee noted that the Corporation did not do enough home-work before introduction of this Scheme. The Committee noted that the number of beneficiaries is far below expectation, and the selection of beneficiaries under various Schemes run by National Scheduled Castes Finance and Development Corporation for providing loans totally depends on the State Channelizing Agencies and the Corporation has no role in this procedure of identification and selection of beneficiaries, documentation, loan disbursement, etc. The Corporation only provides funds on the basis of demands put forth by the SCAs/CAs according to their estimate for disbursement of loans to the already selected candidates from the target group.

The Committee noted that three Micro-credit Schemes namely Micro-Credit Finance (MCF), Mahila Samridhi Yojana (MSY) and Aajeevika Micro-finance Yojana (AMY) are underfinanced by NSFDC for income generating activities for Scheduled Castes living below double the Poverty Line. The Committee found that in the year 2016-17 Rs. 29.16 crore was disbursed by NSFDC to SCAs and the number of beneficiaries was 7267. The Committee found that SCAs have utilised only 5.39 per cent of the allocated

funds in the Scheme in 2017-18. The Committee also find that SCAs of NSFDC have utilized only 50.70, 43.10 and 59.96 per cent of the allocated amount during the year 2015-16, 2016-17 and 2017-18, respectively under Mahila Samridhi Yojana. The Committee note that the National Scheduled Caste Finance and Development Corporation has introduced a new scheme called Aajeevika Micro-finance Yojana (AMY) w.e.f. 1st November, 2015 with an objective to provide prompt and need based micro finance to eligible scheduled caste persons at reasonable rate of interest through NBFC-MFIs to pursue small/micro business activities. The Scheme is implemented through Non-Banking Financial Company Micro Finance Institutions (NBFC-MFIs) i.e. Last Mile Financier.

The Committee was disappointed to find that there were no beneficiaries under this Scheme in 2016-17 and only 394 beneficiaries in 2017-18. Further the Committee note that total number of beneficiaries since introduction of this Scheme is only 486 till the end of last financial year i.e. 2017-18 which is nothing keeping in mind the population of the target group. The Committee further find that since September, 2017 there is no progress in the number of beneficiaries which remained same i.e. 394 till March, 2018. When asked the reasons, the Department stated that no proposal was received under this Scheme from the implementing agencies. The Committee wonder why onus of running of the Scheme is totally on the Implementing Agencies. The Committee noted that out of 65 RBI registered NBFCMFIs only three have signed Memorandum of Agreement with NSFDC and two NBFC-MFIs have availed funds due to unattractive interest rates of 8 per cent for them.

The Committee found that non-submission

of Government Guarantee in some States/UTs is one of the major reasons due to which SCAs are not willing to avail funds from the Corporation. In order to avail funds from NSFDC, the SCAs are required to fulfill the prudential norms for disbursement of funds by NSFDC. One of the prudential norms is providing adequate Government Guarantee/Government Order/Government Assurance from time to time. The Committee note that Government Guarantee is very crucial for disbursement of funds by NSFDC, lack of which acts as an impediment in disbursement of funds by NSFDC and, due to which, in some States SCAs/CAs are not availing funds resulting in non-implementation of NSFDC Schemes in those States. The Committee noted that due to passive attitude of the State Governments/UT Administrations this has become a perennial problem and as a result the SCAs are badly affected. The Committee, therefore, desired that the clause of availing Government Guarantee from the State Governments every year should be done away with from the prudential norms so that there are no more constraints with the SCAs while availing funds from NSFDC.

The Committee noted that for creating awareness amongst the masses about the Schemes run by NSFDC, the SCAs/CAs publish advertisements in local newspapers and broadcast NSFDC's Schemes in the form of play on All India Radio Stations and FM Stations in 18 regional languages including Hindi. The Committee further note that NSFDC has organized awareness programmes/camps at 15 places in 2017-18 out of which only one was organized in Rural Area i.e. at Barola Village, Noida, Uttar Pradesh. The Committee deprecate the approach of the Corporation in dealing with the candidates of the target group who are from DPL category. The number of Awareness Programmes are too less to

generate any awareness. The situation is worse in rural areas where the population of the target group is more but only one programme has been organized in rural areas in the entire country in one year.

The Committee found that even after availing loan benefits from the Corporation, the beneficiaries lack marketing skills to display and sell the products manufactured/produced by the beneficiaries of Micro-credit Schemes of NSFDC. As there are many Schemes of NSFDC which have 'nil' beneficiaries, the reason being lack of awareness amongst the members of target group, the Committee exhorted the Department to direct NSFDC to conduct more and more awareness programmes/camps once in every six months in every State/UT in the country mandatorily, preferable in the rural areas.

What happened to the welfare schemes developed for the benefit of minorities

The Committee found that this year too, the Ministry of Minority Affairs could utilize only 66.58% (upto 20.02.2018) of its allocated budget of Rs. 4195.48 crore due to, more or less, same reasons which were adduced by the Ministry in the last year. The Committee observed that this has now become a perennial problem on the part of the Ministry and the Ministry is almost helpless to stop this trend of spending 30% to 40% of their allocation in about last month of the financial year. When asked whether it would not impact the Ministry's financial allocation from the Ministry of Finance, the Committee were told that the Ministry would seek exemption from the Ministry of Finance.

The Committee noted that Rs. 950 crores were allocated for Pre-matric Scholarship in 2017-18. The Committee also note that about 85 lakh students are denied scholarship every year as only about 35 lakh students are given scholarships every year out of

more than 1.50 crore applications received every year. If the Ministry were to give scholarship to all the eligible applicants, the Ministry's total amount would increase to about Rs. 2004 crore from the present Rs. 950 crores. The Committee was of the considered view that if around 85 lakh students are denied the benefit of these Schemes, the empowerment of minorities specially, Muslim students at Pre-Matric stage would be on distant dream. More so, making Muslim students/population literate is also a national duty and if the Ministry fails to do so these very students will definitely become a liability on the country.

The Committee, therefore, again recommended that the schemes be made demand driven. The Committee observe that the rates of all three scholarships have never been revised since these schemes came into existence. The Committee also found that the amount of scholarship given at present is too less as compared to prevailing inflation rate. The Committee, therefore, desired that the rates of all the scholarships should be revised immediately. The Committee also desire that income ceiling of these scholarships may also be enhanced accordingly so that a greater number of students can be accommodated.

The Ministry handed over a copy of the National Productivity Council (NPC) report on increasing dropout rate among minority communities. The Committee after perusing the findings of the report found that Assam, Bihar, Haryana, Jharkhand, Maharashtra, Rajasthan, Uttar Pradesh and West Bengal are high dropout States due to State specific reasons. The Committee, however, find it shocking that these States do not even have basic facilities like toilets, sufficient number of upper primary schools within a reasonable distance, absenteeism of teachers, insufficient classrooms due to

which students have to sit under tree/kachcha houses, insufficient benches/desks and pitiable condition of furniture, extreme poverty of parents, absence of electricity/fans, separate toilets for boys and girls, no boundary walls, no playgrounds, no trained teachers, no library, distant schools, contractual teachers are ill qualified etc.

The Committee after going through the report found that all these years the Ministry have not sent any team of their officials to have a first-hand information on the pitiable condition of these schools. Neither any monitoring was ever done. The Committee are aware that the responsibility of running and managing these schools rest with the State Governments. Nevertheless, the Committee found total apathy on the part of the Ministry too towards educating the children of minority communities through these schools. The Committee recommended the Ministry to go through the report of the NPC thoroughly, send a team of its officials to the high dropout rate States and act on the suggestions given in the report.

The Committee observed that in 2014-15, 15694 trainees, in 2015-16, 45490 trainees, in 2016-17, 47000 trainees and in 2017-18, 83000 trainees have been given placement as reported by the Ministry. When asked the details of these trainees and where have they been given placement, the Ministry simply stated that, "The information is with us". The Committee had earlier too sought the details of these trainees but except assurance, the Committee got nothing. More so, these details are neither available on Scheme's portal not on the Ministry's website. The Committee expected more seriousness on the part of the Ministry towards fulfilling their commitment given to the Committee. The Committee desired that all the above details be made available on

the Scheme's portal without further delay.

The Committee observed that the National Commission for Minorities does not enjoy a constitutional status in the absence of which it does not enjoy the same powers as enjoyed by the National Commission for Scheduled Castes and the National Commission for Scheduled Tribes being constitutional bodies. As there are various reported incidents of atrocities against the members of minority communities and the National Commission for Minorities in its present state and structure is almost ineffective in dealing with such cases of atrocities against the minorities, the Committee recommend that the National Commission for Minorities be given constitutional status as soon as possible.

The Committee noted that multi-sectoral development programme (MsDP) is a huge scheme meant to create assets for socio-economic and basic amenities to bring about overall improvement in the living conditions of people living in the minority concentration areas which are relatively backward. But the Scheme is suffering from innumerable problems mainly due to the apathy and sincerity being shown by the State Governments. Further, there is no dedicated MIS for MsDP and no functional online module available. The Committee find that in the absence of both these, the functioning of MsDP is too being affected. The Committee desire that a dedicated MIS for MsDP and functional online module be completed without any delay.

The Committee was shocked to know that there has been no meeting under the Chairmanship of Cabinet Secretary in the last four years on the 15 Point Programme, the last meeting was held in 2013. This shows how serious the Ministry is in implementing the Prime Minister's New 15 Point Programme. The Ministry is well aware that if this scheme is monitored

properly, minority communities as a whole will develop. It appears that in the quagmire of red tape, the Scheme would slowly die its natural death. The Committee also held the Ministry equally responsible for not being pro-active in the Programme.

The Committee found that trades like IT, industry, trade and commerce and agriculture have not been included in the 15 Point Programme due to which the Programme remains static. The Committee was of the view that Schemes/trades under this Programme should keep changing with the changing times and demands. The Committee observed that IT, trade and commerce and agriculture are equally important and demanding as well. The Committee, therefore, desired that IT, trade and commerce and agriculture should also be included in the 15 Point Programme and if need be, the other stakeholders may also be consulted.

The Committee found that while so many studies have been conducted and are being conducted regarding performance/evaluation of various schemes of the Ministry but the people cannot find the details of this study reports on the Ministry's website as well as on the portal of those schemes. There is no information on the utilization and expenditure of the Ministry on its website. The Committee desired that henceforth, information regarding all the reports and their findings including the other evaluation studies conducted by the Ministry or by any other agency may invariably be put on the Ministry's portal or website so that entire thing is in public domain and anyone can access them. The Committee wonder as to why the details of total number of families living below the poverty line or double below the poverty line in Minority Concentration Areas are not available with the Ministry who have been mandated for

the welfare of minority communities.

The Committee was not satisfied with the reasons given by the Ministry viz., the basic amenities which are provided under MsDP are used by the entire population in the catchment areas. The Committee feel that Ministry should understand that the main objective of the Scheme is to develop assets and basic amenities in socio-economic backward areas having substantial minority population. The Committee felt that in the absence of data of community-wise beneficiaries, the Ministry would be unable to analyse the impact of the scheme on minorities. The Committee would like to be apprised about the number of poor families benefitted, community-wise, by the projects under MsDP since inception i.e., 2008-09 to till date.

The Committee observed that the Multi Sectoral Development Programme (MSDP) was conceived as a special initiative of the follow up action on the Sachar Committee recommendation. The Scheme was launched in 2008-09 in Minority Concentration Districts (MCDs) to address the development deficits of Minority Concentration Areas by creating socio-economic infrastructure and providing basic amenities. The Scheme was revamped in the year 2013-14. In revised MsDP, the unit area of planning has been changed to blocks/towns and identified 710 Blocks, 66 town and 13 Cluster of villages in 196 Districts for its implementation during 12th Plan. The Scheme has again been restructured for implementation during the remaining period of 14th Finance Commission i.e., upto 2019-2020. Now, the area covered will have 109 MCD Hqrs., 870 MCBs and 321 MCTs of 308 districts of 32 States.

The Committee noted that the name of the Programme has also been changed to

Pradhan Mantri Jan Vikas Karyakram (PMJVK). The Committee note that the Ministry have revised the Scheme many times with some modifications here and there but the socio-economic condition of the Minorities has not changed much. There are significant trends of missing of basic amenities/infrastructure in minority concentration areas. The Committee, therefore, recommend that the all-out efforts should be made by the Ministry for productive implementation of the Programme.

Concluding remarks

Plans for national, regional and local development are implemented with hard work of the inspiring and committed support of financial and technical intermediaries like the Kudumbshree women workers who worked hard and bravely tackled the aftermath of Kerala floods of 2018 caused by extreme weather, heavy rains and landslides. They engaged in the repair of houses, schools, community facilities and cleaning of public spaces to prevent the spread of post disaster epidemics. Public investment in the productive, structures, development of institutions and patient committed finance for the most vulnerable sections matters should be an important lesson for the opposition.

3. Assaulting the Central Bank

Praveen Jha

It would hardly be an exaggeration to say that one of the most notable features of the current union government, headed by Prime Minister Narendra Modi, has been subversion and undermining of institutions across the board. As is well-known, among the first victims was the Planning Commission which got eliminated soon after the current NDA government came to power; subsequently a whole range of institutions of repute have been subjected to relentless assaults. Be it premier public sector enterprises and establishments of the country (including the banking system), apex academic bodies, finest universities in India, the Central Bureau of Investigation, and the list goes on! It is not quite clear to what extent these unprecedented attacks are part of well-thought designs, or are knee-jerk whims and fancies rooted in megalomania, or there are some other sub-texts; it may well be a combination of all these and more, but clearly the net result has been a huge dis-service to a set of remarkable institutional achievements that the earlier ruling dispensations of the country had put in place after Independence.

It is in such a broader context of the systematic destruction of institutions that we need to locate the ongoing conflict between the union government and the country's Central Bank, namely the Reserve Bank of India (RBI). It is common knowledge that the RBI has been at the receiving end of the increasingly hostile attitude of the union finance ministry during the last year, although a degree of unease has been quite pronounced almost

all through the duration of the current regime. It appears that the degree of autonomy that the RBI was able to wield during Dr.Raghruam Rajan's stewardship was already a sore point for the current government and a kind of low-intensity conflict was already there. However, it appeared that with the exit of Rajan in August, 2016, and subsequent appointment of his successor, Dr.Urjit Patel, the union government had finally managed to have its way in dealing with the Central Bank. Rajan had effectively been shown the door and Patel, after assuming the charge of the RBI, seemed quite accommodative to the demands of the Modi government. The most telling impression of such a shift seemed to be when the disastrous policy of demonetisation was launched on November 8, 2016, in which, it appears that Patel was not allowed to have a say. The fact that such a major policy pronouncement had bypassed the Governor of the Central Bank, and was indeed a huge blow to the dignity of the office of the Governor, can hardly be construed as the beginning of a conducive and congenial relationship. If Patel did not object to such a lock-stalk-and-barrel undermining of the RBI on such a major policy stance, clearly, metaphorically speaking, he must have licked his wounds as the head of the Central Bank and decided to be a much more "accommodative successor" to Rajan.

However, as things have unfolded during the last couple of years, the current regime has sought a total control of several important institutions, and even informed and considered disagreements are viewed

not only with suspicion but almost as a 'crime'. It is in this context that the festering conflict between the union government and the RBI leadership needs to be located. Patel may have felt strongly against continuing as the Governor of the RBI in the face of continuous pressures infringing the domain and dignity of the Central Bank which might explain his reasons for demitting his office on December 10, 2018. His parting statement to the media left no one in doubt that even the "accommodative successor" was not willing to tolerate the endless attacks on the independence of the Central Bank. He left in a pique and almost with a stunning rebuke to the finance ministry and the ruling establishments, reigniting the discourses on the nature of relationship between the union government and the Central Bank, in particular its autonomy.

It is generally accepted that the RBI, in its history of more than eight decades since its founding in 1935, has performed multiple roles expected of a Central Bank with consideration distinction on the whole. Further, given the wide ranging responsibilities - as a monetary authority and regulator of the banking and payment system, issuer and custodian of the national currency, manager of foreign exchange, lender of the last resort, etc. - which are critical to a healthy management of any economy, it is understood that the Central Bank must have a degree of autonomy from any ruling dispensation, although the extent and nature of it have always been contentious amongst economic theorists and policy makers almost everywhere in the world. In India too since Independence, there have been a few occasions when the government of the day and the RBI leadership were not on the same page. However, the furious drawn-out slugfest that the country has witnessed during the current regime is indeed unprecedented.

Before we come to some of the core issues central to the current scenario in India, it may be useful to dispel certain kinds of misguided notions about autonomy itself.

As progressive movements in India (as elsewhere) have frequently asserted, the idea of autonomy cannot be at odds with the larger of national autonomous economic development to suit the interests of global capital and imperialism. As the readers will recall, around the time that the Indian economy was making a transition from the dirigiste to a market driven regime in the late 1980s and early 1990s, fervent demands were being made by the Bretton Woods institutions and other champions in neoliberalism that Central Banks ought to be made "independent" of the "myopic and self-serving" national governments for the greater good of the citizens everywhere. This supposedly "neutral and objective" advice pushed by international institutions, such the World Bank and the International Monetary Fund, was simply a veneer to serve the interests of the international finance capital, which is generally at massive loggerheads with prospects of any progressive economic trajectory. Clearly, demands for autonomy that make an autonomous national democratic development project subservient to the greed and caprices of global finance must be rejected.

On the other hand, a country may be faced with a scenario where its elected government is already in line with the wishes of the global corporate-financial oligarchy and any infringement of the autonomy of the Central Bank by such a government may well be consistent with design and demands of international finance capital!! Likewise, one can always imagine situations where a government of the day, even when it is not driven primarily by the global financial interests, may well undermine the working of the Central Bank

in ways that subvert prospects of a progressive economic trajectory and the well-being of the masses, for narrow and cynical political ends. Worse still, it could even be a combination of both the scenarios stated above!

In short, it is extremely important not to get trapped in simplistic rhetoric and false dichotomies. The context and the details obviously matter a great deal. However, what ought to be a central concern is whether the relationship between the Government and the Central Bank is amenable to socio, political and economic accountability to the people of the nation or not. Thus one has to ask whether there are robust institutions and mechanisms that can facilitate such desirable objectives. Sure enough, it may not be easy to think of, *apriori*, “perfect solutions and full-proof mechanisms” that will stand scrutiny all the times. The issue, of course, was very well recognized by our founding mothers and fathers; our Constitution and the provisions of various institution mechanisms enshrined in it, certainly convey profound engagement with these major concerns. Thus, provisions of parliamentary oversight, Standing Committees, and other institutional mechanisms can go quite some distance in dealing with the complexities of the issues at hand. Simple point is: social control cannot be made captive to the whims of government control, and independence of the Central Bank cannot mean that it secedes from the primary objective of the well-being of the masses.

It would appear that the ongoing tussle between the current union government and the RBI is not primarily a matter of the principles underlying the 'common good' of the country but is largely driven by ill-thought and questionable objectives. This possibly includes the desire by the Modi-led government to control the banking system with an eye on boosting its sagging image,

in the aftermath of major horrendous economic policies, in particular demonetisation. There is near consensus that several of the government economic interventions have wreaked-havoc on the livelihoods of the masses in the countryside as well as those engaged in the micro, small and medium enterprises (MSMEs); in other words, the so called informal economy of India accounting for almost 95 per cent of the country's working population was hit really hard. Just to site one evidence from a recent survey by the All India Manufacturers' Organisation (AIMO), which analysed a sample of 34,700 from traders and MSMEs across the country, the current union government economic policies have been nothing short of a mayhem. The survey reports that between 2014 and 2018, the 'traders segment' reported a job loss of whopping 43 per cent and the comparable figures for 'micro, small and medium-scale segments' were 32 per cent, 35 per cent and 24 per cent, respectively. It may be noted that the AIMO has a membership of over 300 thousand in the MSME segment, as also a few large enterprises engaged in manufacturing and exports.

Given these distressing developments, and the impending parliamentary elections of 2019, the recent attempts by the union government to push the RBI on the back-foot on the matters of monetary policy such as the floor interest rates, the proposal to set up an 'independent' Payments Regulatory Board (PRB) outside the purview of the RBI, pressure on the RBI to loosen its Prompt Corrective Action (PCA) framework and to relax the guidelines on the Non-Performing Asset (NPA), etc., are possibly driven by cold calculations of boosting its sagging electoral fortunes. Arguably, the most recent contentious issue is that of what has been described as 'raiding the reserves' given the Modi government's insistence on transferring part of the substantial reserves

of the RBI to it. We may note that this was flagged in the last economic survey, and has apparently assumed a strident note in the recent months, ostensibly on the grounds of the recapitalisation of the banking sector reeling under the weight of NPAs. Given the relatively poor collections under GST and the target fiscal deficit already being reached in the first eight months of the financial year, claiming the part of the RBI reserves seems almost like a last gamble by desperate regime to shore up an indifferent, if not failing, economy and through some money to the masses as electoral gambit. The above noted and many other pressures by the union government on the Central Bank have been the substance of an unprecedented bitter feud between the two in the recent past, inflicting serious blows to the morale of the latter, and has the potential of undermining yet another very important institutions of the country. Here is a classic case of unwarranted overreach by the government of the day that may strengthen the hands of 'autonomy' advocates. However as hinted earlier, it is important not to lose sight of the relevant substantive issues in an appropriate conceptual framing of the relationship between the Central Bank and the union government.

4. The Worsening Crisis in Agriculture

Jayati Ghosh

The agrarian crisis has finally grabbed the attention of political parties and policy makers. It is unfortunately not new – it was essentially a gift of the neoliberal reforms, as it festered from the mid to late 1990s and then exploded in the mid 2000s. It had its origins in the combination of trade liberalisation (which exposed Indian cultivators to highly subsidised yet volatile global prices) and reduction in public expenditure for agriculture. The Modi government came to power on the basis of claims that this would change: a promise of “*achhe din*” for farmers who would see their real incomes double in five years. The reality has been the opposite – things have deteriorated for agriculture even during relatively good monsoons, and cultivators and rural workers are reeling under conditions that are making farming simply unviable.

In the first two decades of the reforms, rural distress was reflected more in significantly increased suicides among farmers and distress migration, than in mass protests. Even so, simmering rural resentment helped to turn two crucial national elections, in 2004 and 2014. Now we have entered another phase of open protests by farmers. All over the country, cultivators are angry, upset and even desperate – and they are expressing it in local, regional and national agitations: from the incredibly impressive long march in Maharashtra in late 2017 to the huge coming together of peasants and workers last month in Delhi, as well as many local protests in different parts of the country.

In the next section I briefly consider the state of agriculture in mid 2014 when the Modi government came to power, and in the following section I analyse what the Modi regime promised and achieved in the past four and a half years.

Indian agriculture in 2014

The neoliberal reforms from 1991 onwards did not really focus on agriculture – instead, the emphasis was put on non-agricultural sectors as the means to both faster economic growth and development in terms of structural transformation. The basic economic strategy was one that pins its faith on large investments by private corporate capital, and so various “shackles” on such capital, in the form of internal and external regulation, were sought to be removed, and in addition, over time various incentives were provided to encourage more rapid rates of private investment.

This strategy had very little in it for small producers, whether in agriculture or other activities. In the early 1990s, it was felt that the devaluation of the rupee already provided sufficient incentive to agriculture, because it was expected to make it more attractive to export crops and thereby improve farm incomes. Subsequently, the presumption was that freeing agricultural markets and liberalising external trade in agricultural commodities would provide price incentives leading to enhanced investment and output in that sector, while broader trade liberalization would shift inter-sectoral terms of trade in favour of agriculture.

But other economic policies and changes in government spending and financial measures had significant implications for cultivation. Four important areas policy areas that had effects on agriculture related to public expenditure, food management, access to institutional finance and trade liberalisation. Initially, there were absolute actual declines in central government revenue expenditure on agriculture and rural development. Thereafter, there were cuts in particular subsidies such as on fertiliser in real terms, and the 1990s experienced overall decline in per capita government expenditure on rural areas. There were also very substantial declines in public infrastructure and energy investments that affect the rural areas, especially in irrigation and transport. In addition, financial liberalization measures, including the emerging scope of what was designated as priority sector lending” by banks, effectively reduced the availability of institutional credit for farmers. Branches, accounts and lending to agriculture all decelerated and in some states showed declines. This forced many cultivators, particularly smaller farmers, tenant farmers and those without clear titles to land, to seek recourse from informal channels of credit like input dealers and traditional moneylenders. All this made farm investment and working capital for cultivation more expensive and more difficult, especially for smaller farmers.

Inputs for cultivation became a particular concern, as public extension services no longer provided adequate information, access to subsidised quality inputs was reduced, and various subsidies were sought to be lifted. Spurious seeds, greater reliance on expensive seeds provided by large domestic and multinational companies that involved “terminator genes” that did not allow subsequent local reproduction, problems with price and quality of fertiliser

and pesticides and excessive use of both, often in wrong proportions: all of these became frequent problems that affected the quantity and quality of output as well as the margins available to farmers.

All these forces led to a slowdown in agricultural growth and by the late 1990s, widespread distress in the countryside. The most extreme form of expression of such distress was in the spate of farmers' suicides, which occurred typically when heavily indebted farmers whose farms had lost viability could find no other recourse. By the mid-2000s, it was evident that the problems facing agriculture were severe and would require express policy attention. The Congress-led UPA government that came to power in 2004 had in fact made the problems facing cultivation and rural distress generally a major plank of the electoral campaign, and they sought for some years to reverse the pattern of declining public spending, with increased public investment on irrigation and rural infrastructure, and more central government spending on agricultural research and extension, as well as increased credit to rural areas. These positives were very limited in extent, but they did partially reverse the trend of rural decline, aided by high and rising prices of agricultural goods in global trade.

Liberalization of external trade became an important element of the reform process, first through lifting restrictions on exports of agricultural goods, and then by shifting from quantitative restrictions to tariffs on imports of agricultural commodities. A range of primary imports were decanalised and thrown open to private agents. Import tariffs were very substantially lowered over the decade. Exports of important cultivated items, including wheat and rice, were freed from controls and subsequent measures were directed towards promoting the exports of raw and processed agricultural

goods. Indian agriculturalists were increasingly exposed to global competition even as the protections they had in terms of support prices, input assistance and public extension services were gradually being reduced or even withdrawn.

For Indian agriculture, this led to a peculiar combination of low prices and output volatility for cash crops. While output volatility increased especially with new seeds and other inputs, the prices of most non-foodgrain crops weakened, and some cases plummeted. Further, farmers were squeezed as input costs kept rising, either because reduced subsidies and rising input prices, or because of the need to use more and more input (such as seeds, fertiliser and pesticides) to achieve the same levels of output. This reflected not only domestic demand conditions but also the growing role played by international prices consequent upon greater integration with world markets in this sector. Indian farmers had to operate in a highly uncertain and volatile international environment, effectively competing against highly subsidised large agribusinesses in the developed countries.

The Modi government's promises and the reality for farmers

The difficulties experienced farmers led to the setting up of the National Commission on Farmers, better known as the Swaminathan Commission, during the UPA regime. However, there was no real effort to implement its recommendations. What the UPA government could not or would not do, the BJP in 2014 promised to do, so much so that its electoral manifesto lifted large chunks from the Swaminathan Report.

But many of these recommendations were significant and required real political will. The Commission proposed extensive land reforms: including distribution of ceiling surplus and waste lands, preventing

diversion of prime agricultural land and forest to corporate sector for non-agricultural purposes and ensuring grazing rights and access to common property resources. It argued that higher productivity in agriculture could only be achieved with substantial increases in public investment, especially in irrigation, drainage, land development, water conservation, research (including soil testing laboratories to detect micronutrient deficiencies) and promotion of conservation farming and biodiversity. It proposed comprehensive groundwater and surface water management, to give all farmers sustained and equitable access to water.

On credit, the Commission emphasised the expansion of formal credit outreach to the really poor and needy in rural areas; reduction of interest rates on institutional loans to 4 per cent simple interest (with government support), a moratorium on debt recovery, including loans from non-institutional sources, and the waiver of interest on loans in distress hotspots and during calamities. On the insurance front, it suggested that an integrated credit-cum-crop-livestock-human health insurance package should cover the entire country and all crops, with reduced premiums, along with an Agriculture Risk Fund to provide relief to farmers after natural calamities.

There were specific recommendations for women farmers, not only for joint land holding pattas, but to recognise women as farmers for Kisan Credit Cards and other programmes of central and state governments. To stabilise crop prices and make them remunerative, the Commission proposed significant improvement in implementation of Minimum Support Price (MSPs), and effective extension to other crops including millets and other nutritious cereals. The recommendation that the MSP should be at least 50 per cent more than the weighted average cost of production was

made in this Report.

These recommendations were both comprehensive and detailed – so the Modi regime cannot claim that they did not know exactly what to do. However, in actual practice it has more or less done the opposite of what was promised, in the process coming to be seen as strongly “anti-farmer” in its policy orientation. In its tenure the Modi government has been seen to promote anti-farmer policies: attempting to bring in a land acquisition bill that would forcibly acquire land without proper compensation; not investing enough in required irrigation or in research and extension services for agriculture; not increasing the spread and affordability of crop loans but cruelly enforcing debt repayments from impoverished cultivators; setting procurement prices that provide even lower margins over costs than the previous UPA government; making farmers take the brunt of global price volatility by banning exports of some crops when prices are high and allowing imports when prices are low; and so on.

In his 2014 election campaign, Narendra Modi had promised to double farm incomes in five years: instead, they have actually declined on average in real terms, and also become even more volatile. Now the goalpost for doubling farmer's incomes has been officially shifted to 2022, but few are buying that promise any more.

Early in its tenure, the Modi government sought to bring in a very flawed bill on land acquisition, which would have enabled more farmers to be displaced from their land without adequate compensation. Popular outcry forced a reversal of this, but since then many BJP-led state governments have quietly introduced the same provisions, which militate against land-owning farmers.

On the MSP: this government has actually

provided significantly lower margins over costs for most crops than under the UPA regime. The promise to provide 50 per cent over costs (announced yet again in the 2018 Budget Speech) seemed like a slap in the face when the clarification came that this would refer only to paid out costs plus family labour's imputed costs – since the UPA had already been providing more than 60 per cent above such costs for most crops. Public investment in agriculture and related areas has fallen as share of public spending, and the promised increases in crucial areas are nowhere in evidence. Meanwhile the Modi regime's trade policies have been clearly against the interests of agriculturalists: when global prices of certain cash crops were high, exports were subjected to temporary bans to prevent domestic price rise; and when such prices were low, imports continued to be permitted, forcing Indian farmers to deal with very low prices for their crops.

There were other sins of commission, as demonetisation destroyed rural markets and demand for farmers for a prolonged period, and the imposition of GST added to their cultivation costs. Demonetisation a severe blow for farmers just at the kharif harvest and rabi sowing season, when they found it very difficult to sell their crops or access the required inputs. It led to a prolonged collapse in rural livelihoods and demand. This has persisted, to the point where even when there is high output because of a good monsoon, farm incomes do not rise because of low prices. The botched and insensitive implementation of the GST has added to the travails of small and medium enterprises and further affected demand..

In this bleak context, the expected improvements in crop insurance have also not materialised. Instead the renamed crop insurance scheme turned out to be yet another “jumla” that has essentially profited private insurance companies. Farmers and

state and central governments have shelled out increasing amounts as premia for insurance, but have not received the expected compensation when required because of very rigid rules about claim settlement. Farmers reeling under dry spells or sudden hailstorms that destroy standing crops are provided no compensation for their losses.

Livestock rearing, which has saved farmers from penury and now accounts for nearly one-third of agricultural value added, is under threat from cow vigilantes who are allowed and even encouraged by the ruling party to run riot, lynch innocent people and generally threaten the livestock trade.

This is the context in which around thirty thousand farmers from various parts of north India marched peacefully for ten days to the nation's capital, only to be greeted by a typically aggressive state response. They were blocked on the outskirts of Delhi and not allowed to enter the city, and their attempts to cross the barricades were met with tear gas, lathi charges and even bullets.

The massive agitations by farmers across the country, including the huge congregation of farmers marching to Parliament in November 2018 and protests in many other parts of the country, are just one indications of how betrayed farmers and their families feel. Farmers are now demanding many things: a genuine loan waiver, reduction of electricity tariffs, higher procurement prices for their crops and immediate payment of the long-overdue arrears for sugarcane sales, lower GST on agricultural machinery and implements, legal recognition of the land rights of so-called “forest dwellers” who have been cultivating their land for generation, and so on.

It is clear that the crisis in Indian agriculture needs a holistic and comprehensive policy response. It requires: more attention to irrigation (both surface and groundwater),

more funding of agricultural research oriented to current concerns, better and more comprehensive extension services to enable all farmers to make use of available technologies properly, improved access to reasonably priced inputs without being misled by input dealers with conflicts of interest, proper public procurement across different crops that ensures that the declared Minimum Support Price does become the market floor price, improved management of post-harvest produce including by providing cold storage facilities everywhere, better regulation of market yards so that farmers are not duped or exploited, ensuring affordable access to credit for all farmers and not allowing accumulated interest to exceed the original principal amount of the loan, better conditions for crop insurance which is currently so restrictive as to provide little benefit, more systematic policies for livestock management – and of course, expanding possibilities for non-agricultural activity in rural areas.

But it is also clear that the Modi regime is incapable of providing such a necessary policy package. Hopes must rest with a new government that will be more sensitive to the needs of farmers.

5. How Modi's 'JAM Yojana' Adversely Integrates Women With Big Finance Capital

Archana Prasad

In its manifesto for the last general elections the Bhartiya Janata Party promised to facilitate the economic emancipation of women through some important financial measures namely the setting up of Mobile Mahila Banks and the provisioning of loans at a low interest rate. These efforts were to be augmented through the establishment of specially business incubator cells along with training centres for upgradation of skills. Presumably, the idea was to build the capacity of women to compete in liberalised markets and close the developmental gap between them and their male counterparts. In order to achieve this goal the Modi Government mooted the Jan Dhan – Aadhar-Mudra scheme which is popularly known as the JAM Yojana, with women being its main target. The Government stated that the JAM vision would lead to 'empowerment of women' as they would get control over their own money and also their own future. Hence it would be an instrument for the 'economic empowerment' of women.

This short note will show, the JAM strategy has proved to be detrimental to the interests of the women as it has made them dependent on oppressive Non-Banking Financial Companies. This has been done through a policy driven transition from 'micro-credit' to 'micro-finance', a process which is deeply embedded in the privatisation of the banking system and disinvestment in social schemes supporting women's livelihoods and economic emancipation. Micro-credit programmes were started in the early 1990s and the SHG

bank linkage schemes were aimed at reducing the dependence of women and their families on moneylenders and informal credit. Several women's organisations also saw it as a way of building solidarity amongst women. In 1992 the guidelines of the programme stipulated that SHGs would link enable women to get credit without collateral and also provide institutional finance to informal sector workers. The use of the SHGs to operationalise employment generating and producer oriented schemes was limited to programmes like the SGSY, which turned out to be a precursor to the National Rural Livelihood Mission. However by the middle of the first decade of the 2000s it was quite clear that micro-credit based bank linkage scheme formed a very small part of the entire development financing programme. Further, though agencies like the NABARD were given the mandate of giving loans to women for starting small businesses, most of these loans, though taken in the name of use for livelihood purposes, changed into consumption loans which were used to meet emergency expenses or pay off earlier loans. This happened largely because there was no support for women, either in terms infrastructure or access to markets, through public investments by government. Further, the lack of expansion of the reach of public sector banks also provided a structural constraint to the women's access to cheap credit. Lastly, one of the major reasons for the lack of success of the micro-credit programme was the proposed financial sector reforms which made way for microfinance companies and non-banking

financial companies which brought about a fundamental change in the SHGs formed by women. Now the SHGs became Joint Liability Groups or JLGs, i.e. an SHG would be responsible for the repayment of loans of its member; if a member defaulted on the loan all the other members of the SHG would have to pitch in and make the repayment. This effectively killed the SHG as a mechanism for building solidarity among women and also for their politicisation. In one sense the financial sector reforms killed the women's movement's vision for using the SHGs as a way of organising women.

As hinted earlier, the seeds of transition from micro-credit to dependence on private micro-finance may have been sown before the NDA II regime took office. The Jan Dhan was meant to link all women to bank accounts, the Aadhaar would make them eligible for direct benefit transfers and the Mudra loans were meant to provide women with avenues of gainful self employment. However, far from achieving this goal four years down the line, this strategy has in fact led to a greater adverse integration of women into financial markets that are dominated by big financial sharks whose muscle and power has experience rapid growth under the present government. In 2015-16 around 73 percent of the shishu loan accounts (or loans under Rs. 50000) were housed in non-banking financial and microfinance institutions. About 80 percent of the shishu loan accounts and about 79.2 percent of all loan accounts were held by women. In 2017-18 this proportion remained at around 70.1 percent but the number of women owning accounts declined to about 68 percent. The percentage of women holding shishu bank accounts came down to about 75.3 percent. However, it is significant that by this time a number of new small financial ventures and ponzi schemes came up during this time,

making the penetration of private finance much more intense.

This decline was a result of the overall declining access of women to institutional finance and credit even though the government claimed that most women had been integrated into the banking system. As the latest Global Findex report of the World Bank (2017) shows that the gender gap in ownership of accounts has come down from about 20 percent in 2014 to 6 percent in 2017. But merely owning an account does not signify any improvement in the condition of women as about 54 percent of the 77 percent accounts owned by women are inactive, whereas for men the number of inactive accounts is about 43 percent. Hence the gender gap in terms of access to financial services remains and in some cases even heightened. In 2014 the gender gap in bank borrowings was 2.8 percent which went up to 3.3 percent by 2017. Further only 5 percent of the women made any savings in their bank account, clearly indicating that women's savings groups were not doing much 'saving'. As a result the linkage between the Jan Dhan and Mudra schemes, which is the very basis of the Government's self employment programme, is very weak and almost non functional.

The real success of the JAM programme can only be gauged by seeing whether there has been any successful linkage between Jan Dhan accounts and the Mudra yojana since this linkage has been propagated as one of the main sources of capital for the self-employed, especially for women entrepreneurs. The data from the government's own website shows an abysmal picture. When the Jan Dhan scheme started in 2015, about 6.9 percent of the accounts were linked to Mudra loans. However this number came down to 0.04 percent in 2016-17 and 0.08 percent in 2017-18. One explanation for this is maybe that the government decided to disburse all

finances for micro-enterprises through the National Rural Livelihood Mission (NRLM) and the National Urban Livelihood Mission (NULM). However, the data shows a very poor record even there: in 2016-17 only 3.5 percent of all Mudra accounts were linked to NRLM or NULM, and this percentage came down to 3.1 percent in 2017-18. This clearly indicates the utter collapse of the JAM vision, even though the government itself is propagating its great success.

As hinted earlier, the growing power of microfinance corporations has had an adverse impact on women. The inactive accounts of women suggest that their access to bank loans is limited. According to the latest RBI statistics women contributed 32 percent of the total deposits in scheduled commercial banks in 2017. But their loan accounts were only 19.3 percent of the total loan accounts for scheduled commercial banks in the same period. This implies that women deposited more money than they got as credit. The gap between deposit and credit shows the difficulties that women face while accessing banks, particularly when most of them work in the informal sector. In contrast accessing NBFC/MFI loans seem easier, especially because these loans are available at the doorstep. However experience shows that high interest rates can break the back of women and their families. Interest rates of NBFCs and microfinance institutions can vary from 19 to 26 percent per annum with additional charges, almost double that of scheduled commercial banks. Many of these have now become Small Finance Banks under the new RBI norms. The latest Bharat Microfinance Report (2017) shows that the entire private microfinance sector, namely MFIs, SFBs, and not for profit MFIs have an outreach of about 80 percent and also constitute 80 percent of the outstanding loan portfolios. About 96 percent of their clientele are women. They get loans under the priority

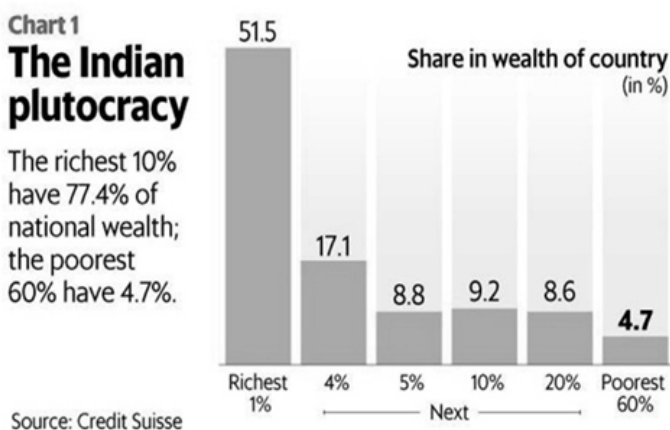
sector lending and also source loans from banks at an average of 13-14 percent. Their average interest rates are 22 percent per annum, implying that their operating margins are at least 8-9 percent on every loan transaction. This clearly shows that the policies of the NDA government have integrated women into financial manner that is leading to super profiteering by big capital.

The discussion above shows that the JAM policy does not empower and emancipate from their poverty and vulnerability. It makes women vulnerable to predatory loans. Further, the penetration of private companies has led to exclusionary practices, some of which are reflected in the declining share of women in Mudra accounts. This clearly implies that the policy of financial inclusion of the Modi Government has unleashed dangerous tendency where vulnerable families in informal employment are likely to get further sucked into a debt trap in the wake of low income and low employment growth.

6. 'Development' sans Equity is a Scam

M.G.Devasahayam

Global Wealth Report-2018 of Credit Suisse Group AG was released in October last. As per this report the richest 10% of Indians own 77.4% of the country's wealth and the bottom 60%, own just 4.7%. The super-rich 1% own 51.5%. Credit Suisse is not a bleeding-heart NGO but a blue-blooded Swiss bank. Here is the chart:



Estimating wealth is not quantum physics and year-to-year changes in wealth shares are dependent upon asset prices and exchange rates. What is important is that, in a democracy, the top 1% has been able to keep its share so very high, while the majority meekly accept destitution. The fact that India is among the most inequitable country in the world (among the top three) is borne from the chart next page

Such a high level of income disparity raises several questions, not the least of which is the extent to which it subverts democracy. With Prime Minister Modi talking about 'Vikas' (development) at every breath, a

legitimate question arises from this data: whose development is he talking about? Is it development for the top 1%, or for the top 10%, or the poorest 60%?

Such stark disparity in wealth shares provide fuel for social unrest and rising crime. It increases disaffection and threatens to tear apart the fabric of the nation — it puts enormous strain on nation-building if the share of the majority in the nation's wealth is less than 5%. This is what is happening in large parts of India.

Heading towards perfect inequality?

Has inequality gone up in India in recent years? The Gini coefficient is one way of measuring inequality, with a reading of 100% denoting perfect inequality and zero indicating perfect equality.

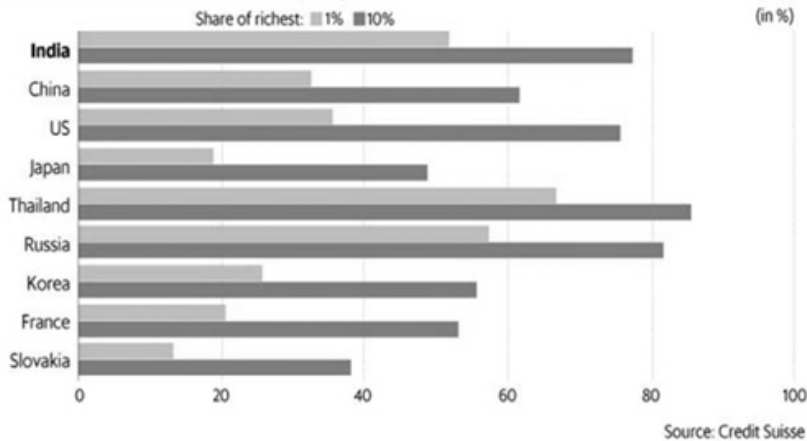
According to Credit Suisse, the Gini wealth coefficient in India has gone up from 81.3% in 2013 to 85.4% in 2018, which shows India is heading towards perfect inequality which would be devastating.

The massive mobilisation of land, water-bodies and forests over the past two decades has turned India rapidly into a rent-seeking economy, where profits are high and quick as opposed to genuinely productive sectors where they are low and slow. The fact is directly related to the growing phenomenon of political entrepreneurship in multiple forms, explaining the growing hundreds of dollar millionaires both in and outside Parliament. Inequality is the natural

Chart 2

India among high-inequality nations

Slovakia has the least wealth inequality.



outcome of this process of “predatory growth”. What India has been experiencing is inequality-led exclusive growth.

This has accelerated in the last about five years due to the blatantly pro-profit 'development' agenda being pursued by the centre. Almost every project designed and pushed is big and mega-'Demonetisation' to generate huge profit for digital companies; Petro-chemicals, gas and hydro-carbon projects for the favourites; Sagarmala (costing Rs. 8 lakh crores) to capture the coast and build massive ports, Coastal Economic Zones and other infrastructure; Bharatmala (6 lakh crore) to grab land and build huge expressways and corridors to nowhere; Bullet-trains costing lakhs of crores that will run near empty. These 'Infrastructure' projects would put billions and millions in the pockets of the top 1% and 10% respectively through lucrative contracts and cash-transfers via the Viability Gap Funding route which has become a major fraud. Towards this end thousands of hectares are being acquired all over the country by National Highway Authority of India (NHAI) adopting Stalinist methods!

This is one side of the 'development' story.

The other side is of those at the bottom. This has been lucidly described by Dr. P. Sainath in his seminal Book

“Everybody loves a Good Drought” (Penguin-2017):

“After over four decades of 'development', these facts remain: one out of every three persons in the world lacking safe and adequate drinking water is an Indian. Nearly one in every two illiterates in the world is a citizen of the country. Nearly one of

every three children outside schools in the planet is an Indian... The largest number of absolute poor live in this country. So, do the largest number of those with inadequate housing. Indians have among the lowest per capita consumption of textiles in the world. There are more job seekers registered at the employment exchanges of India than there are jobless in all the 24 nations of the OECD put together. Yet this nation has over 44 million child labourers, the largest contingent in the world...Every third leprosy patient in the world is an Indian. So is every fourth being in the planet dying of waterborne or water-related diseases. Over three-fourths of all the tuberculosis cases that exist at any time worldwide are in this country. No nation has more people suffering from blindness. Tens of millions of Indians suffer from acute malnutrition....”

This tragic contradiction is brutally captured through the metaphor of “the drunken stunted dog” (Churning the Earth-Penguin-2012): “Imagine a puppy which is fed a special kind of diet which distorts his growth so that one of his legs grows astonishingly fast, while the other three get stunted to various degrees. Now imagine that the puppy grows into a dog of sorts, gets drunk and begin to spin around the house in ecstasy-the hangover and the diseases lying in

wait....." In today's context the special diet is the project packages of billions of rupees specially designed and delivered to the corporate carpetbaggers who are already filthy rich and the drunkenness refers to the delirious contractors and stock market and the hangover and diseases will follow the economic crash which is already staring at the nation!

While so the NITI Aayog, Central Government's "Big-ticket" Think Tank has come out with a vision document stating that a growth rate of 9% is essential to generate enough jobs and achieve universal prosperity: "This will raise the economy's size in real terms from \$2.7 trillion in 2017-18 to nearly \$4 trillion by 2022-23." If we go by the past record most of this \$4 trillion would go to the top 10% hastening the path towards perfect inequality!

Way out-Integrated Rural Development

To start with 'Development' agenda should shift from pro-profit to pro-people, particularly the subalterns. They are the ones who are deprived of 'basic necessities and security' by the predatory model of development and most of them live in the vast rural hinterland. To make it equitable, subaltern model of 'development' should be democratic and decentralised (D3). It should also be sustainable. The basic concept of sustainable development is one where livelihood activities can be carried on for any length of time, because no resources are being consumed for life-support systems other than those which can be replaced.

D3 should have at its core rejuvenation of the the grassroots-not just agriculture but the rural economy as a whole. This economy has three sectors-primary, secondary and tertiary. These comprise of food crops, cash crops, fodder crops, oilseeds, horticulture, plantation, animal husbandry, aquaculture, poultry (all primary); food processing, agro-

industries, dairy, equipment manufacturing (secondary); and agro-related services such as warehousing, transportation, cold-storage, input supply, technology etc. (tertiary).

All the three sectors should be combined in the agro-activity centered growth strategy. The main object would be to raise the income of the farmers and generate large-scale employment for the agri-labourers by upgrading their skill levels and imparting appropriate training. Decentralised energy generation and distribution would be an integral part of such strategy to overcome the chronic power shortages and poor quality of power. Agro-Technology Institutes to train rural youth in entrepreneurship and provide skilled manpower for the multifarious activities should also form an integral part.

Farmers and farming are critical to nation's life and economy for the simple reason that without the food they produce we cannot live. Food is clubbed with water and air for human existence. Of these, only food is produced, and this is what farmers do. Producing adequate food within the country is at the core of food security and sovereignty, which cannot be compromised at any cost. Food is not the only product of farming. Farms produce a whole range of products that are critical for human well-being, industrial development and employment generation. Besides it gives livelihood to vast majority of population.

For farming to be successful its basic characteristics-location, soil health and productivity- should remain undisturbed. Farmers, unlike investors who float around, cannot just fold up and move their farms. Once they are hooked to the global economy they are easily victimized by an economic and technological juggernaut that destroys all small and localised enterprises. This is already happening.

Farm incomes have sharply fallen because farmers have no control over the market price of their produce and are unable to recover even the cost of inputs. Debts are also very high.

There is dire need to put the farmers on the path to prosperity through a combination of land use policy, transforming primary agriculture, augmenting farm income, diversifying and integrating rural development; making credit accessible and available, ensuring food security and rejuvenating the rural economy through appropriate entrepreneurial initiatives.

Predatory development and blatant land grab by NHA and other government/corporate agencies have triggered land wars. This is just the tip of the iceberg and worse would follow if immediate steps were not taken to counter this reckless ravaging of land that deprives livelihood for the masses while transplanting an unsustainable jobless development model. A land use strategy based on the principles of ecology, economics, equity and employment generation is the immediate need. Under this strategy land should be classified into the following categories-Conservation; Restoration; Sustainable agri-activity; Industrial and non-farm use and Urban Forestry/ Agriculture and legally mandated.

Once such a classification of the available land is made, it will be easy to promote the harmonious development of agriculture, industry and infrastructure. Sustainable agriculture is not only the backbone of the livelihood security system of the rural population, but also the main prerequisite for food security and national sovereignty.

Remunerative prices for farm products is a critical requirement to uplift the farmers. Further, for boosting farm income small and marginal farmers (SMFs) should move away

from 'subsistence' syndrome to 'surplus' situation wherein they earn adequate income to pay for balanced nutrition, dignified shelter, decent clothing and quality education for their children. For this Agriculture needs to be redefined, its activities diversified and development integrated.

Farmers with suitable soil should move towards modern "agriculture" that would include cash crops, marine farming, aquaculture, dairying, animal husbandry, poultry, farm forestry, raising or harvesting any agricultural or horticultural commodity. Processing and value addition are a must for cash-crop farmers that would include handling, planting, drying, packing, packaging, processing, freezing, grading, storing etc. A management system for this should be put in place.

Rural development has been traditionally associated with agriculture. Paradigm changes are taking place in the economy with technology advancement. For the farmer to benefit from these changes there is a need to shift towards integrated rural development reflecting the complex linkages and interactions within the system of overall rural development. Rural development provides an alternative to agriculture as a source of non-farm incomes and livelihoods.

An Integrated Rural Development model should be developed with water and energy as catalysts. These two very critical resources are being used in a wasteful and unsustainable manner depriving the small and marginal farmers of their benefits. To achieve this a Need Based Management mechanism for water and electricity should be structured and implemented in the rural areas. Watersheds and command areas would be the unit of integrating the rural economy with judicious and optimal use of water and energy.

Landless Agricultural labourers constitute an important segment of the rural economy. Most of them live below the poverty line. Poverty can have many dimensions-low earning and low level of skill or ability, lack of assets and access to training and education. Poor health, malnutrition, lack of shelter and food insecurity are also signs of poverty. 'Trickle down' methods and temporary job schemes are not enough to alleviate the socio-economic distress of this vast segment of rural population. All the above dimensions of poverty should be addressed through innovative interventions specifically targeted at the agricultural labourers.

To sum up, Preamble of India's Constitution has promised "Equality of status and of opportunity" to all citizens. As we have seen predatory 'development' achieves just the opposite and is a scam. In the event, the biggest pre-2014 election promise of "*Sab ki saat, sab ki vikas*" has turned out to be the biggest jumla! This needs to be countered and reversed.

7. Demonetisation – The Cruel Joke on the People of India

Thomas Franco Rajendra Dev

Announcing demonetization Shri Narendra Modi, Prime Minister usurped the powers of the Governor, Reserve Bank of India and told the Nation,

"To break the grip of corruption and black money, we have decided that the five hundred rupee and thousand rupee currency notes presently in use will no longer be legal tender from midnight tonight, that is 8th November 2016. This means that these notes will not be acceptable for transactions from midnight onwards. The five hundred and thousand rupee notes hoarded by anti-national and anti-social elements will become just worthless pieces of paper."..." (Press Information Bureau: Nov 8, 2016)

He exhorted every citizen to participate in this 'mahayagna'

"So, in this fight against corruption, black money, fake notes and terrorism, in this movement for purifying our country, will our people not put up with difficulties for some days? I have full confidence that every citizen will stand up and participate in this mahayagna. My dear countrymen, after the festivity of Diwali, now join the nation and extend your hand in this Imandaari ka Utsav, this Pramanikta ka Parv, this celebration of integrity, the festival of credibility."..." (Press Information Bureau: Nov 8, 2016)

He forcefully stated the purpose of demonetization in the following words:

"There comes a time in the history of a country's development when a need is felt for a strong and decisive step. For years, this country has felt that corruption, black money and terrorism are festering sores, holding us back in the race

towards development. ... fight against corruption, black money, fake notes and terrorism..." (Press Information Bureau: Nov 8, 2016)

He was very clear in his thoughts. He told the Nation in unequivocal terms that demonetisation will end corruption, black money, fake notes and terrorism and pave way for development which was being withheld because of these evils.

The Prime Minister was so confident of the result or made the nation to believe that demonetisation is going to be a great success. So, in an emotional speech on 13 November 2016, the PM said:

"I have asked the country for just 50 days. If after December 30, there are shortcomings in my work or there are mistakes or a bad intention found in my work, I will be prepared for the punishment that the country decides for me". (Hindustan Times: Nov 13, 2016)

On November 13 at Goa, the Prime Minister stated,

"The Previous Government did nothing on corruption but i will not spare any one who tries to stash black money in India or Abroad". (MoneyControl.com: Nov 14, 2016)

The Prime Minister broke down midway during the speech and said he left his home, family and possessions for the nation. He added, *"I know the forces up against me because their loot of 70 years is in trouble, but I am prepared"* (The Economic Times: Nov 13, 2016)

From his speeches it was clear that he held everyone having Rs. 500 & Rs.1000 notes are

criminals and he was posing himself as the saviour of the nation. Whether he was misguided or he was misguiding the people is a million dollar question. In any case he is responsible for the results. It is interesting to note the statements of some of the eminent economists.

Pronab Sen former Chief Statistician of the Government had stated, "Narendra Modi's publicity coup has penalized the entire informal sector while doing nothing to curb corruption or tax evasion". (Mint: Nov 14, 2016)

Tamal Bandyopadhyay, wrote in The Mint, "Dear Prime Minister, the buck stops with you". (Mint: Nov 14, 2016)

Renowned economist Prabhat Patnaik stated, "Decision to Demonetise Currency shows they don't understand Capitalism". (The Wire: Nov 12, 2016)

M.K.Venu stated, "Demonetisation as a means of extinguishing black money may be a pipe dream" (Business Standard: Dec 2, 2016)

Renowned economist Kaushik Basu stated, "It was poorly designed, with scant attention paid to the laws of the market, and it is likely to fail. So far its effects have been disastrous for the middle and lower middle classes as well as the poor. And the worst may be yet to come. (The News18 online: Nov 28, 2016)

Professor Venkatesh Atheraya has stated that it was essentially a political move and it will not yield any result in curbing black money.

Professor Maitreesh Ghatak, London School of Economics called it a "huge collateral damage".

Professor Jayati Ghosh called it "breathtaking insensitivity".

Professor Arjun Jeya Dev called it

"authoritarian quackery".

Professor M. Govinda Rao stated, "It was neither necessary nor sufficient".

Professor Sanjay G Reddy termed, "avoidable human cost".

Nobel Laureate Amartya Sen said, Note ban violates basic tenet of trust, is "despotic".

Shri. M.G. Devasahayam IAS (Retd) quoted as, "Reckless misuse of one of the most potent of the policy tools: control over an economy's money"

The Prime Minister did not have patience to listen to anyone.

After 2 weeks, the goalpost was changed and the Government announced that with demonetisation we are moving towards a cashless economy.

Now let us analyse what has been achieved? How effective has demonetization been in achieving its objectives of tackling Corruption, Black money, Terrorism and counterfeit currency? What has the demonetization cost the society and the Economy?

Corruption In India- Has it disappeared?

You ask the question to any citizen in the country. The answer will be an emphatic No. At lower level, corruption which is visibly seen in the Regional Transport Offices, Sub Registrars Offices and many other offices continue and has rather increased with the new Rs. 2000 notes.

Corruption at higher level continues in different forms.

Favouring Anil Ambani in the Rafale deal – Is it not corruption?

Appointing Mrs. Arundhati Bhattacharya, former Chairman, State Bank of India in the Boards of Reliance, CRISIL, Wipro and also as a member to select Lokayukta for the nation – Is it not corruption?

Favouring Ambanis, Adani and Tatas in Gujarat with a loan write off proposal of Rs.35000 Crores by SBI with the intervention of the Finance Minister – Is it not corruption?

Crores of cash is being distributed in elections to the knowledge of everybody – Is it not corruption?

Huge contracts are given to Adanis, Ambanis and Agarwals by passing others – Is it not corruption?

Even appointment of Vice Chancellors are done by taking money, as told by the Governor of Tamilnadu – Is it not corruption?

In the name of Sagarmala and Bharatmala huge tracts of fertile land is taken away from the farmers and handed over to Corporates – Is it not corruption?

Reliance has been given the platforms of SBI and Railways to help Reliance Jio- Is it not corruption?

For every major decision like no objection certificates for educational Institutions, approval of housing projects, conversion of agriculture land into commercial land etc huge amount is taken by few officials and few politicians – Is it not corruption?

Under Insolvency and Bankruptcy Code many loans are settled with a hair cut (write off) of around 50% of the outstanding through the resolution agents, NCLT and the Banks – Is it not corruption?

So it is very clear that demonetization has not made any dent on corruption rather it has increased corruption at all levels.

Recovery of Black money

With the publication of the RBI annual report, it is very clear that 99.3% of all the notes which were in circulation have been exchanged for fresh currency. There is still some money lying at Nepal, some cash

remaining with poor women who could not exchange the currency and with some Courts where old currency was received as caution deposit and kept in sealed boxes. May be we have received more than what was anticipated by RBI itself. Some fake currencies also might have been exchanged.

Infact in December 2016, the Attorney-General of India, Mukul Rohatgi, had informed the Supreme Court that the Govt did not expect more than Rs 12 lakh crore to come back in the banks. The remaining Rs. 3 lakh crore was black money, which would not return to the banks and could be "extinguished" and passed on by the RBI to the government as dividend. (Newslick Online, Nov 2017, Note-bandi - Demonetisation and India's elusive chase for black money: R. Ramakumar, OUP)

Black money is not some currency kept under the pillows and mattresses as shown in the movies and told by the PM. It is money in circulation which is not taxed. So with the 50 days window everybody exchanged what they were holding. The Government created an opportunity for that. Few thousand notices have been sent by income tax department to people who have deposited large quantity of cash. Even after 2 years, no report is available to show that it was black money. Rather many Chartered Accountants have had a field day by cooking up accounts for these people. In a report released at a seminar at Jawaharlal Nehru University Delhi, a list of 119 cases reported in National Daily's showing seizure of huge quantities of cash in fresh currency during the time of demonetization. Even now there is no report available indicating from where this huge quantity of cash reached the hands of few individuals and what ultimately is the action taken. Most of the persons arrested got bail and majority of them have political connections. In an interesting case in Tamil Nadu, the then Chief Secretary was arrested and huge

quantity of currency including Rs. 30 lakhs new currency was seized from him. He not only got bail but also got reinstated as Principal Secretary to the Government of Tamilnadu. The full list of cases released at JNU is given as annexure. The All India Bank Officers Confederation demanded the RBI to release the list of new currency printed with prefix and numbers and to which Bank it was sent. If that was made available that time, both the income tax authorities and the police authorities would have easily traced the source and they could have taken concrete action. Unfortunately, the Reserve Bank of India never disclosed these facts for reasons best known to them. In a surprising statement, the former Finance Minister Mr. P. Chidambaram stated , *"How is that these people have received the new notes in such a(high) volume when others are still struggling? Is it that the new currency is going to these people from the printing press? This is the biggest scam in the country and criminal investigation is needed. The government should explain the issue, he said"*(Deccan Chronicle: Dec 14,2016)

So far neither the RBI nor the Finance Ministry have refuted the statement. With the huge cache of new currency during demonetization and with the visible distribution of new currency during elections in States, where fresh currency was in circulation on a large scale, the doubt raised by Shri P. Chidambaram appears to be true.

If we recall, on May 21 2012, the then Finance Minister tabled a white paper on black money in Lok Sabha. The report had suggested four pillars for curbing black money. They were

1. Reducing disincentives against voluntary compliance
2. Reforms in sectors vulnerable to generation of black money
3. Creation of effective credible deterrence

4. Supportive measures like awareness creation and accountability of auditors.

There was no recommendation for demonetization.

One important point to note here is that taxes are to be collected for providing services to the people. In countries where the Government is providing education, health care, housing, transportation and other public services, the tax compliance is far better. Unfortunately in our country the taxes are increasing and the services provided by Government are reducing leading to an apathy to pay taxes by the ordinary citizens of the country. The rich anyway have enough ways to pay lesser tax and the highest income tax percentage is only 30%. So the middle class and neo-rich pay only the same tax percentage.

Fake Currencies

Contrary to abolition of fake currency there are numerous newspaper reports showing that counterfeit currency in the denomination of 2000 is available in various parts of the country. There has been many seizures also. It has become easier to print notes of higher denomination which is worth taking risk for the perpetrators of fraud.

Below are a few news reports on fake currency for your information.

Fine quality fake currency note seizures baffle police

http://timesofindia.indiatimes.com/articles/how/65897988.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Gujarat tops India in fake currency seizure
<https://timesofindia.indiatimes.com/city/ahmedabad/gujarat-tops-india-in-fake-currency-seizure/articleshow/63524369.cms>

Mohali gang led by innovator printed Rs. 80 lakh in Rs. 2,000 notes; exchanged old notes,

bought Audi.(Hindustan Times: Dec 3, 2016)

Has terrorism ended?

The reports coming from Jammu & Kashmir, Assam, North east, Chattisgarh and other Maoist dominated areas terrorism has actually increased."Enemies from across the border run their operations using fake currency notes" the PM had said. But it turned out only Rs.43 Crore,0.0002% of total demonetised currency was detected as fake. (Pragya Srivastava, Financial Express, Nov8,2017)

To counter terrorism what we require is dialogue and a strong will to address the genuine grievances of the people who was succumbing to the pressures of the terrorist outfit. No short cut like demonetisation can work. The terrorists are better capable of exchanging old currency using innocent citizens.

Moving Towards a Cashless Economy

The government quickly realized that demonetization was not going to impact the black economy or counterfeiting or terrorism. To get out of this embarrassing situation, suddenly within two weeks of its initial announcement, it started saying that the move would make the economy 'cashless'. It argued that this would have tremendous advantages for the economy. The large informal sector would become formalized and come into the tax net. It was argued that there would be greater efficiency in the economy because use of cash is costly for the economy. People would not have to carry currency and would not have to visit banks.(Demonetisation and the Black Economy: Arun Kumar, Penguin)

The idea of cashless economy originates from the better than cash allowance. This has not succeeded anywhere.

According to RBI data, total amount of

cashless transactions stood at Rs.10.7 crore in the month of Aug,2017, down from Rs.13.3 lakh crore worth of transactions in March 2017.

In the top ten most cashless countries, the percentage of non-bank use of cash is still substantial. In South Korea, the use of cash is still to the extent of 30 per cent. Soon the realization dawned on the government that a cashless economy was not going to happen soon. The official line then changed and it was said that the objective was for the country to become a 'less cash' economy. But India has been moving in that direction for some time now, with the increasing use of credit, debit and electronic means of transferring money.

There is another reason for greater use of cash in India, and that is, the well-off have black incomes which they wish to spend and they do that in cash. So it is not just the poor who spend cash, it is also the very rich who do so. Unless the black economy is curtailed, the widespread use of cash will continue and slow down India's path to a 'less cash' economy. (Arun Kumar)

In brief, going 'less cash' or cashless was an afterthought, to cover up the government's lack of success in dealing with the black economy. In the initial announcement, this was not mentioned as a goal of demonetization. In fact, these two have no link with each other and they could have been done independent of each other. Going 'less cash' is also not easy in the Indian context what with the country's poor infrastructure. There exists a digital divide in the country, and the benefit of any shift to 'less cash' will go to the well off and not to the poor. (Arun Kumar)

RBI's Role and Its Autonomy

The way the decision was taken by RBI under pressure and the way the Prime Minister announced the decision without

RBI governor showed that RBI lost its autonomy. The Governor did not speak to the press for many days. Every day RBI was changing its guidelines to banks. RBI Governor should have resigned that time itself instead of resigning now.

The printing cost doubled from Rs. 3420 Crore to Rs. 7965 crore in 2016-17. The surplus transferred from RBI to Govt fell from Rs. 65876 Crores in 2015-16 to Rs. 30659 crore in 2016-17. There was a decline of Rs. 35217 crores.

So demonetisation was an extraordinarily loss making proposition to RBI and the Govt.

Effect on the Society

The biggest loss is life of more than 90 people, who died standing in queue to exchange old notes or could not get cash for medical treatment. (ANHAD report: Nov 2017, annexure-2)

The society was made to believe that with demonetization all black money will come out and the same will be distributed to the common man. The ruling party leaders had been stating in the press as well as in TV debates that people are going to be benefited due to demonetization.

Unfortunately, now there is a deluge people have lost faith in the Government. Their faith in the Banks is also going down. This is going to be dangerous for the country.

Effect on the Economy

All India Manufacturers Organisation had published a report in November 2017 indicating how the manufacturing sector was badly affected and how lacs of people lost their jobs. The Tamilnadu Government in a report had stated that 50,000 industries were closed and 5 lakh people lost their jobs. As it was the harvest season the farmers were badly affected. The Banks were badly

affected because for 2 months they could not do any banking other than handling demonetization and they could not use the money deposited in the Banks for giving out loans and earn some profit. The cost of exchanging currency, packing the old notes, storing them for months, remitting it to RBI and RBI reporting shortage and fining the banks together have had created huge loss for the Banks. Atleast 14 employees including officers have died during demonetization due to pressure of work and also due to an accident in Uttar Pradesh. The GDP growth went down by around 1.1% as detailed in the Economic Survey 2017-18. Even if we assume that India's GVA shrank by 1% after Nov 2016 the loss would be Rs. 1.5 crores (Ramakumar). According to the Centre for Monitoring Indian Economy, more than 15 lakh jobs were lost between January and April 2017 due to demonetisation. So there was a colossal loss to the economy.

Government Claim of Rise in Tax compliance

Compared to the corresponding previous year, the rise in the number of tax returns filed was 51% in 2013-14, 12.2% in 2014-15, 29.6% in 2015-16 and 24.3% in 2016-17. So there was no increase due to demonetisation.

Moreover among the 56 lakh assesses added, about 38.8 lakh assesses (69.4%) reported an annual income less than Rs. 5 lakhs. Hence the increased tax revenue will be insignificant.

As per tax authorities, Rs. 13920 crores alone was detected as undisclosed income.

The government claims that it has disqualified 3.09 lakh directors associated with shell companies, deregistered 35000 companies and struck off 2.24 lakh companies. For that one didn't need demonetisation.

Who is responsible?

The Prime Minister of the country is solely responsible for misleading the country, not coming out with a white paper on demonetization and still claiming that it was a bold decision. The Prime Minister stated on Nov13 2016, "I have asked the country for just 50 days. If after December 30, if there are short coming in my work or there are mistakes or a bad intention found in my work, I will be prepared for the punishment that the country decides for me. After 50 days (From Nov 8), the troubles of honest people will start to reduce and the problems of dishonest people will begin to increase." Now that there is ample proof of short comings and bad intention. Will the Prime Minister resign or people will punish him in the 2019 elections?

8. Insolvency and Bankruptcy Code (IBC) - A Panacea for India's NPA Problems?

Nishank

When the Bill for 'Insolvency and Bankruptcy Code, 2016' was passed in parliament in May 2016, it was hailed as the biggest economic reform by the current government only next to GST. The Insolvency and Bankruptcy Code, 2016 consolidated and amended various laws relating to insolvency resolution of companies, limited liability entities, partnerships and individuals, which were contained in various enactments into a single legislation. The Insolvency and Bankruptcy Code (IBC) received praises from multilateral institutions like World Bank and IMF and was considered one of the major reasons of India's sudden jump in the Ease of Doing Business rankings.

The IBC came into force in December, 2016 and the first case under IBC was referred to National Company Law Tribunal (NCLT) in January 2017. The first insolvency resolution order under IBC was passed in August 2017 for Synergies-Dooray Automotive, a company manufacturing automotive parts, where the lenders (banks + other creditors) were forced to take a 94% haircut.¹ Since then a number of cases have been sent to NCLT by the lenders for speedy resolution. The IBC process was projected as a panacea for recovery of NPAs or bad loans and the government went to the extent of claiming in April 2018 that more than Rs. 4 lakh crores of NPAs had been recovered through the IBC process.² However, the data from RBI later revealed that the actual figures for recovery had been much lower. The NPA accounts of 40 companies (12 in the 1st list and 28 in the 2nd list) referred by RBI for the

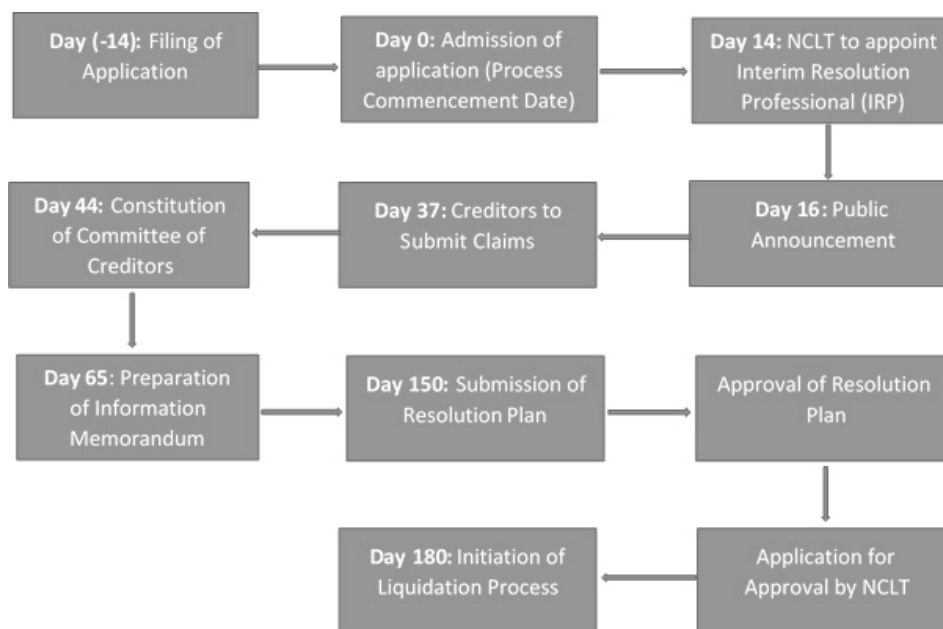
resolution process came much into limelight as they together account for 60-65% of bad loans in the banking system. Meanwhile, gross non-performing assets (NPAs), or bad loans of Indian banks, stood at Rs 10.25 lakh crores as on 31 March 2018.³

The Insolvency and Bankruptcy Board of India (IBBI) was formed under the Insolvency and Bankruptcy Code (IBC), 2016, where IBBI acts as the regulator for overseeing insolvency proceedings in India, along with other entities like Insolvency Professionals, Insolvency Professional Agencies, and Information Utilities. A July 2018 article from Business Today says that till November 2017, under CIRP some 4,300 applications had been filed in various benches of NCLT, but out of them only 470 cases had been admitted till June 2018.⁴ CIRP is the process of resolution of insolvency of a corporate debtor as provided under IBC. Corporate debtor implies a corporate person who owes a debt to an entity. Corporate debtor includes a company, a limited liability partnership firm or any other person incorporated with Limited Liability under any law, but does not include a financial service provider. Apart from the corporate debtor, a financial creditor or an operational creditor can approach the NCLT for an order to admit the company (or corporate debtor) under the Corporate Insolvency Resolution Process.

Financial creditors are those whose relationship with the entity is a pure financial contract, such as a loan or debt security, e.g. a bank giving loan to a company. Operational creditors are those

whose liabilities from the entity comes from a transaction on operations, e.g. a company supplying raw material to a manufacturer. The IBC lays down the provisions that when a company is brought under CIRP, then the resolution process must be completed within 180 days, which can be extended up

activities under the Corporate Insolvency Resolution Process. The way the IBC has been formulated, a special emphasis has been placed on ensuring that the resolution/liquidation of the defaulting companies has to be achieved in a time bound manner.



(Source: Bloomberg Quint)

Figure 1: Corporate Insolvency Resolution Process Timeline

to 90 days. All the financial creditors of a corporate debtor collectively form a Committee of Creditors (CoC), who need to approve a resolution plan for the defaulting company by a majority of 66%. If the resolution plan for a company cannot be passed, then the company eventually goes into liquidation. In the CIRP, other companies of related sector or financial companies bid for buying the defaulting companies, through which the creditors can get back a certain percentage of their stuck money.

Timelines under Corporate Insolvency Resolution Process

Given below is the timelines of specific

As it can be seen from the above figure that, not only the timeline for the final outcome, but specific activities under resolution process have strict timelines, which has to be followed strictly. The rigid timelines to be adhered under IBC process has been hailed as one of the most important aspects of the Insolvency and Bankruptcy Code. Dr. M.S. Sahoo, IBBI Chairperson, mentioned in an article in the IBBI Newsletter of Jan-Mar 2017, "The Code has laudable objectives. Its preamble states: "An Act to consolidate and amend the law relating to re-organisation and insolvency resolution of corporate persons.....in a time bound manner for maximisation of value of assets..... to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders.....". These objectives can be

achieved only if the insolvency resolution and other transactions under the Code are accomplished in a time bound manner. In fact, the 'time bound' feature of the Code distinguishes it from the erstwhile legislations in the matter.”⁵

Corporate Insolvency Resolution Process Yielding Resolution

So far, IBBI has provided data⁶ on list of insolvency cases which had yielded resolution under Corporate Insolvency Resolution Process (CIRP) up to 30th June, 2018. The list includes only 32 companies up to the given data. The data provided by IBBI provides some interesting insights about the companies for which resolution was achieved. The list includes a total of 32 companies, with total financial claims ranging from Rs 1.10 crores (Nandan Hotels Ltd.) to Rs 57,505 crores (Bhushan Steel Ltd.).

Among these 32 companies, in 9 instances the insolvency process was triggered by corporate debtor itself. Similarly, 14 cases of insolvency were triggered by the financial creditors and rest 9 cases were triggered by the operational creditors. The total amount of admitted claims for these 32 companies comes to approx. Rs. 89,400 crores, where the total claims of financial creditors stands at approx. Rs. 86,000 crores. The total resolution amount comes to Rs 49,800 crores for these 32 companies, where the financial creditors got the sum of Rs 47,800 crores. It should be noted here that in the resolution process, often a company bids for buying out the defaulting companies and the financial creditors may not get all the amount at one go, but might be paid to them over a period of few years.

Given below is the data related to the resolution amount for the creditors and the percentage of haircut borne by the financial creditors. The companies which have total claims of more than Rs 500 crores have only

been included in the table overleaf.

As it can be observed from the table that the financial creditors or lenders have to take a huge haircut, which is a loss of public money, as most of the lenders to these companies are Public Sector Banks. The figure of an average of 44% haircut is quite steep, when we consider these 12 companies. However, if we remove Bhushan Steel from the picture, then the data presents a much more worrisome scenario, as the average haircut for the lenders of the rest 11 companies' jumps to 60%. The lenders could limit their haircut in case of Bhushan Steel, as the steel companies have a better chance of fetching returns during a takeover due to their existing assets. However, not all such cases fetch similar returns under the IBC process. While the current government have been hailing IBC as a panacea for recovery of NPA accounts of Public Sector Banks, but this should be questioned by the people as whether the IBC process is helping the banks for facilitating a corporate loot in which certain companies can take over other defaulting companies at dirt cheap prices from the lenders. Moreover, in the coming months as more data will come out on the cases under IBC, the claim of IBC as a success story may fall flat further.

Corporate Insolvency Resolution Process Ending With Order of Liquidation

Similarly, IBBI also came out with data on the companies which eventually went under liquidation, as of June 30, 2018.⁷ The list included a total of 136 companies from various sectors. The total admitted claims for these 136 companies came to Rs 57,640 crores. Out of this sum, the admitted claims of Financial Creditors amounted to Rs 52,670 crores. However, the liquidation value of these companies equalled to an appalling low figure of Rs 4,820 crores. For our analysis, from this list only those companies have been chosen, whose total admitted

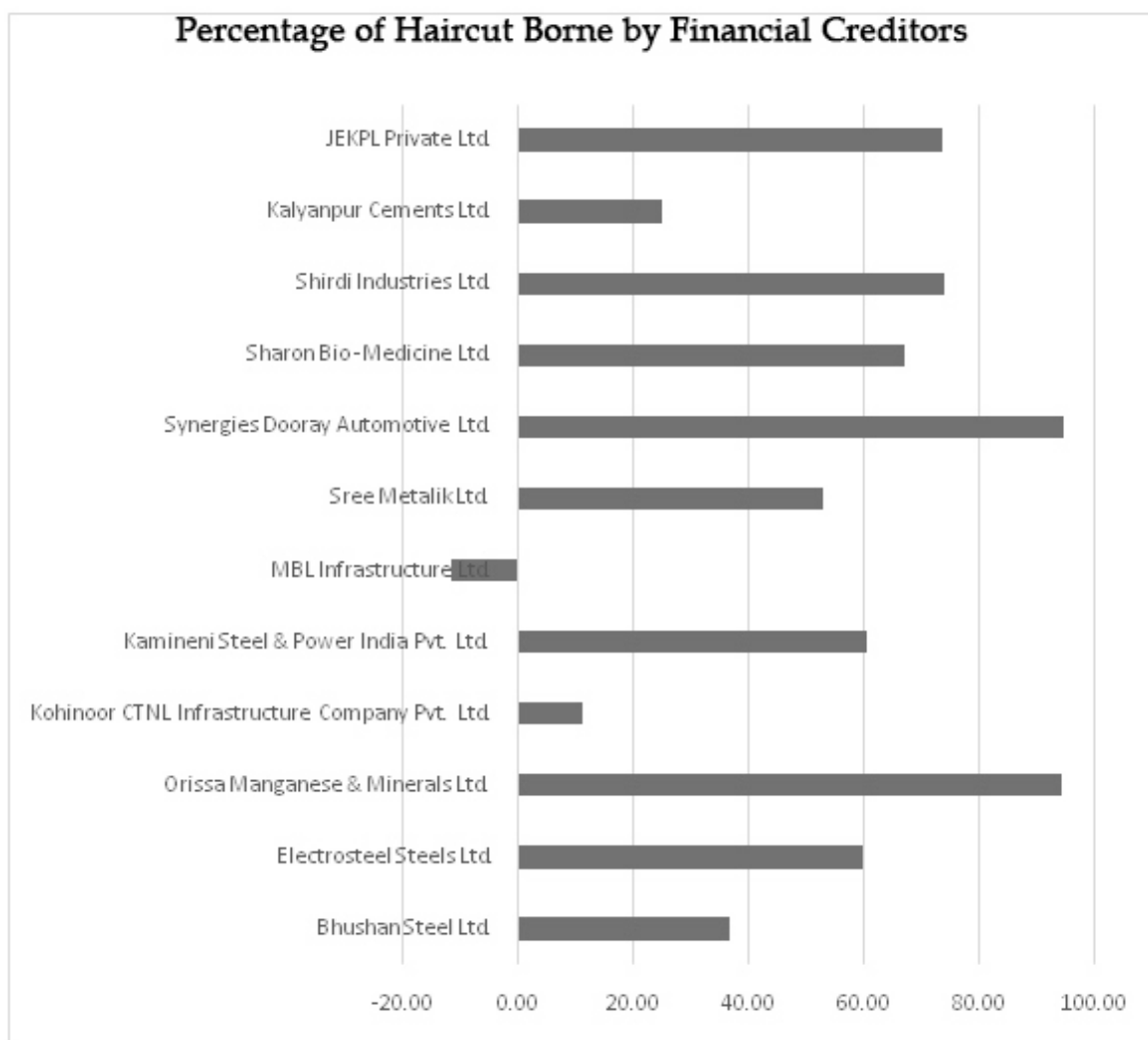
Table 1: Corporate Insolvency Resolution Process Yielding Resolution: As on June 30th, 2018

(Amount in Crores)

Sl. No.	Name of Corporate Debtor	Total Admitted Claims	Total Claims of Financial Creditor	Liquidation Value	Resolution Amount for Financial Creditor	Percentage of Haircut for Creditors (FC+OC)*
1.	Bhushan Steel Ltd.	57,505.05	56,022.06	14,541.00	35,571.00	36.51
2.	Electrosteel Steels Ltd.	13,958.36	13,175.14	2,899.98	5320	59.62
3.	Orissa Manganese & Minerals Ltd.	5,414.49	5,388.54	301.02	310	94.25
4.	Kohinoor CTNL Infrastructure Company Pvt. Ltd.	2,578.64	2,528.40	329.9	2,246.00	11.17
5.	Kamineni Steel & Power India Pvt. Ltd.	1,523.50	1,509.00	760	600	60.24
6.	MBL Infrastructure Ltd.	1,506.87	1,428.21	269.9	1,597.13	-11.83
7.	Sree Metalik Ltd.	1289.73	1,287.22	340.62	607.31	52.82
8.	Synergies Dooray Automotive Ltd.	972.15	972.15	8.17	54.7	94.37
9.	Sharon Bio - Medicine Ltd.	917.92	891.38	182.69	294.03	67.01
10.	Shirdi Industries Ltd.	695.74	673.88	103.05	176.36	73.83
11.	Kalyanpur Cements Ltd.	631.95	131.05	119.74	98.6	24.76
12.	JEKPL Private Ltd.	606.57	606.57	222.06	162	73.29
	Total	87,600.97	84,613.60	20,078.13	47,037.13	44.41

FC = Financial Creditor; OC = Operational Creditor

Percentage of Haircut Borne by Financial Creditors



claims were more than Rs 500 crores for each company. The list narrows down to 16 companies whose total admitted claims put together amounted to Rs 47,330 crores. The admitted claims of Financial Creditors amounted to Rs 43,580 crores and the liquidation value for these companies came to a paltry Rs 2,660 crores. The data specific to these 16 companies is provided overleaf.

It can be observed from the Table 2 that for most of the companies the liquidation value as a percentage of total admitted claims is less than 10% and for the companies listed in the table, on an average the percentage

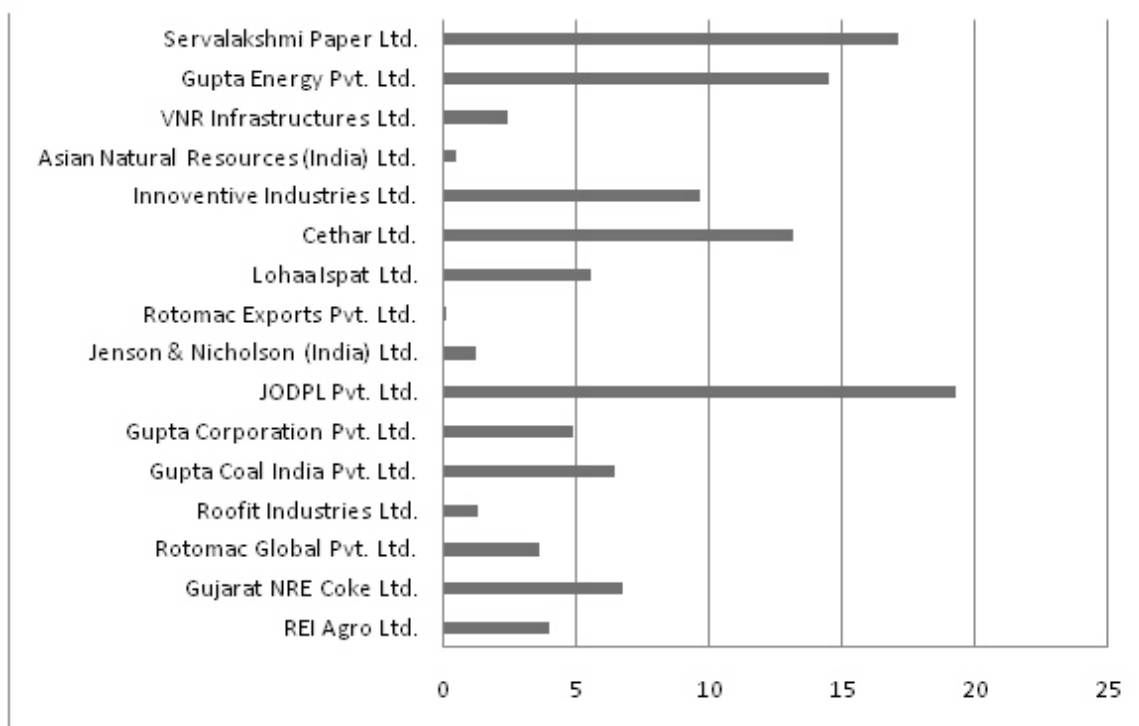
comes to a mere 5.62%. This clearly shows that once a company needs to undergo liquidation through the IBC process, then the loss for the lenders stands to be much more than what happens in the cases where the companies are able to achieve a resolution after bidding. As it can also be seen from the table that 10 out of the 16 companies received not even a single resolution plan and liquidation was the only option in such instances. Moreover, even though six other companies received a resolution plan, they still had to undergo liquidation, as Committee of Creditors

**Table 2: Corporate Insolvency Resolution Process Ending with Order of Liquidation:
As on June 30th, 2018**

(Amount in Crores)

Sl. No.	Name of Corporate Debtor	Total Admitted Claims	Total Claims of Financial Creditor	Liquidation Value	Liquidation Value as percentage of Total Admitted Claims	Number of Resolution Plans Received (Highest Resolution Value Proposed)
1.	REI Agro Ltd.	8625.86	8624.97	341.19	3.96	0
2.	Gujarat NRE Coke Ltd.	5250.85	3641.16	351.00	6.68	1 (420)
3.	Rotomac Global Pvt. Ltd.	3943.64	3927.46	141.93	3.60	0
4.	Roofit Industries Ltd.	3943.40	3921.53	49.52	1.26	0
5.	Gupta Coal India Pvt. Ltd.	3894.80	3408.96	250.10	6.42	0
6.	Gupta Corporation Pvt. Ltd.	3561.00	3430.00	172.00	4.83	0
7.	JODPL Pvt. Ltd.	3011.00	3011.00	579.50	19.25	0
8.	Jenson & Nicholson (India) Ltd.	2898.77	2817.00	35.37	1.22	0
9.	Rotomac Exports Pvt. Ltd.	2885.95	2885.95	0.41	0.01	0
10.	Lohaa Ispat Ltd.	2080.51	2073.72	115.48	5.55	1 (491)
11.	Cethar Ltd.	1668.02	1198.71	219.00	13.13	0
12.	Innoventive Industries Ltd.	1496.90	1413.50	144.00	9.62	2 (287)
13.	Asian Natural Resources (India) Ltd.	1363.62	781.46	5.86	0.43	0
14.	VNR Infrastructures Ltd.	1250.35	1102.35	30.21	2.42	1 (426)
15.	Gupta Energy Pvt. Ltd.	776.55	718.25	112.43	14.48	4 (122)
16.	Servalakshmi Paper Ltd.	679.64	628.08	116.33	17.12	2 (54)
	Total	47330.86	43584.10	2664.33	5.62%	

Liquidation Value as Percentage of Total Admitted Claims



(CoC) need to accept the resolution plan with 66% votes in favour, which may not happen in all situations, leading to further losses.

Can IBC address India's deep-rooted NPA woes?

Considering the fact that Insolvency and Bankruptcy Code is barely two years old, it still has to undergo an evolutionary process and its efficacy would be more visible in the next 4-5 years. With its expansive scope covering all the sectors of the economy, the number of cases being referred to NCLT would see a further rise, which would add further strain to the current infrastructure of NCLT constituting of 10 benches and 26 judges, especially when NCLT is bound to adhere to the strict deadlines of 180 days in most of the cases. It has been estimated that India needs roughly 80 benches in the next five years to resolve the number of cases expected to be referred to NCLT.⁸ However,

the volume of recovery of loans for the lenders would not automatically get better with more companies coming under the fold of IBC ending up in resolution or liquidation.

The majority of 40 companies which were referred to NCLT by RBI belonged to some key sectors like steel, power, infrastructure, etc. where these companies went into default not just due to mismanagement by the promoters, but also because of excessive lending in some specific sectors, which added strain on these companies under changing external economic conditions. When certain companies have been admitted under NCLT, the resolution plans submitted by other companies have not come only from the competitors, but also from asset management companies, asset reconstruction companies, companies having no relevant sectorial expertise, etc.

which leads to a situation where the firms bidding for the companies under NCLT want to buy such companies at a much lower price, leading to heavy amount of haircut for the lenders. This could also lead to situations where the firm buying the defaulting company would get more into speculative trading than reviving the company, which has been the initial aim of IBC. There have been some exceptions, such as in the case of Bhushan Steel, where Tata Steel bought Bhushan Steel for roughly Rs 36,000 crores, which saved the banks from taking less than 40% haircut. However, this should be seen more as an aberration than a successful model in itself, as in case of many other companies, banks had to take a 60%-70% haircut. The IBC has definitely created an atmosphere where errant promoters would be fearful that the control of their companies can be taken away if they end up in default, but more due diligence should be exercised by the lenders at the same time.

There have also been several roadblocks in the implementation of IBC as the overall process has been slowed down due to rising number of litigations delaying the timely resolution and growing number of cases of false claims. In several cases the operational claims which have been rejected has been in the range of 9% to 90%, which has included companies such as Alok Industries, Essar Steel, Ruchi Soya and Coastal Projects.⁹ The IBC process also came under a major scrutiny when the Modi Government brought an ordinance in June 2018, which lowered the minimum votes needed for passing a resolution plan from 75% to 66% among the Committee of Creditors (CoC). This move was seen as favouring Reliance Industries for acquiring Alok Industries. A consortium of Reliance Industries Ltd (RIL) and JM Financial Asset Reconstruction Co (JMFARC) had submitted a bid for a mere Rs 5,000 crores, when Alok Industries owed a humungous Rs 29,600 crores to lenders

and RIL-JMFARC proposal had only 70% of the votes.¹⁰ After passing of this ordinance, Reliance Industries was able to acquire Alok Industries, which resulted in an 84% haircut for the bankers. Later on, the government tried to defend its move saying that the ordinance was not brought to favour any specific company. However, reducing the voting requirement from 75% to 66% indeed took away some control from the lenders in extracting a better recovery from the failing companies. The data in the above tables also clearly reveal that despite the tall claims of the government and industry experts that Insolvency and Bankruptcy Code can give a fillip to the existing NPA crisis, there seems to be lesser empirical backing up for this claim in both scenarios whether the companies have gone for resolution or for liquidation. The IBC may have some pivotal role in altering the business landscape in India when it comes to closure of failing businesses, but it can hardly be termed as a panacea for addressing the NPA woes.

End Notes:

¹ Lenders take 94% haircut in Synergies Insolvency - Business Standard - August 25, 2017 - https://www.business-standard.com/article/companies/first-insolvency-case-sees-94-haircut-for-lenders-117082500026_1.html

² Rs 4 lakh crore NPAs have returned due to insolvency system: Official - The Economic Times - April 04, 2018 - <https://economictimes.indiatimes.com/industry/banking/finance/banking/rs-4-lakh-crore-npas-have-returned-due-to-insolvency-system-official/articleshow/63610426.cms>

³ Will 'bad bank' be good for the banking sector? - Money Control - June 09, 2018 - <https://www.moneycontrol.com/news/business/economy/will-bad-bank-be-good->

for-the-banking-sector-2586517.html

⁴ Does India need to give more teeth to its bankruptcy code? - Business Today - July 25, 2018 -

<https://www.businesstoday.in/current/economy-politics/insolvency-and-bankruptcy-code-does-india-need-to-give-more-teeth/story/280668.html>

⁵ 180 Days for Resolution Process: Too Long or too Sort? - IBBI Newsletter, January - March, 2017 -

<https://ibbi.gov.in/180%20Days%20for%20Resolution%20Process%20Too%20Long%20or%20too%20Short%20in%20IBBI%20Newsletter%20January-March,%202017.pdf>

⁶ Corporate Insolvency Resolution Process Yielding Resolution - As on June 30th, 2018 - Insolvency and Bankruptcy Board of India (IBBI) - August 13, 2018 -

http://ibbi.gov.in/webadmin/pdf/whatsnew/2018/Aug/Data-June18_2018-08-13%2019:30:38.pdf

⁷ Corporate Insolvency Resolution Process Ending with Order of Liquidation - As on June 30th, 2018 - Insolvency and Bankruptcy Board of India (IBBI) - September 01, 2018 - https://ibbi.gov.in/webadmin/pdf/whatsnew/2018/Sep/Dissemination%20Liquidation%20June%2030,%202018_2018-09-01%2017:15:09.pdf

⁸ NCLT facing huge shortage of judges as bankruptcy cases go up - Business Today - April 25, 2018 -

<https://www.businesstoday.in/current/corporate/nclt-judges-bankruptcy-insolvency-ibc/story/275582.html>

⁹ Mountain of false claims tests bankruptcy process - Livemint - September 05, 2018 - <https://www.livemint.com/Politics/LXF9ufsrd2xjjDAJFo0LeL/Mountain-of-false-claims-tests-bankruptcy-process.html>

¹⁰ Alok Industries: After Fixing the Resolution Process, Banks Write off 84% of

the Loan; No Competitive Bids - Money Life - June 23, 2018 -

<https://www.moneylife.in/article/alok-industries-after-fixing-the-resolution-process-banks-write-off-84-percentage-of-the-loan-no-competitive-bids/54450.html>

9. The Bill and a Battle Won: Withdrawal of FRDI Bill

Priya Dharshini

The official withdrawal of the Financial Resolution and Deposit Insurance (FRDI) Bill on 7th August 2018, was nothing short of a battle won for the civil society and bank unions and a sigh of relief for crores of depositors across the country. The FRDI Bill proposed to institute a Resolution Corporation (RC) that would have powers to merge, liquidate financial institutions based on its assessment, superseding regulatory bodies like the RBI, SEBI, IRDA. It also had provision to “bail-in”, which could make deposits into assets of the banks forcing people to lose their deposits. Further it did away with the existing insurance on deposits. This Bill intended to systematically reduce the sovereign support making way to privatise public banks. It took a year of relentless efforts of the bank unions, civil society, political parties, concerned individuals and staunch opposition from the public to finally defeat this draconian Bill. This short essay attempts to revisit the short life of the Bill and the struggle to repeal it.

The last five years saw a whirlwind of economic changes brought in by the current government. At the core was and still is, the unprecedented crisis faced by the Indian Banking System. Though the concerns about the growing Non-Performing Assets (NPA) started post the global economic crisis, the RBI had been ever-greening bad loans through a host of restructuring schemes. It was only in 2015 that RBI took step to seriously bring out the existing bad loans, through an Asset Quality Review (AQR). As a result the Gross Non-Performing Asset (GNPA) ratio jumped from 4.11 in March 2014 to 6.2 per cent at end-March 2015 (today

it is at a staggering 11.5 per cent in March 2018).

This unprecedented rise in NPA, mostly caused by large scale corporate loans, revealed the serious stress faced by the Indian Banking sector. This should have been a time to seriously relook at the large scale lending policies and put in safe guards for the credit to big corporate business. But, instead the government and the RBI introduced more policies in attempts to “manage” the NPA situation. The government touted that its three pronged strategy - Insolvency Bankruptcy Code (IBC), Financial Resolution and Deposit Insurance Bill (FRDI) and recapitalisation would solve the problem. But a year later, FRDI has been proved to be a wrong step, IBC proving to be inefficient, with the banks forced to lose money in form of haircuts and the recapitalisation insufficient. This only shows the lack of preparedness of the government while dealing with crisis. It relies on quick fix methods to bandage symptoms of the problem, rather than address the systemic problem at hand, nothing is more telling than the FRDI Bill and the course it took.

A Hurried Bill

On August 10, 2017, the Financial Resolution and Deposit Insurance (FRDI) Bill was introduced in the Lok Sabha by the Minister of State for Finance, Arjun Ram Meghwal, with the stated aim to “contribute to the stability and resilience of the financial system, protecting consumers up to a reasonable limit and protecting public funds to the extent possible.” A year before, Union Finance

Minister Arun Jaitley said, *“The bill relating to resolution of financial firms will be introduced in the current Budget Session of Parliament. This will contribute to stability and resilience of our financial system. It will also protect the consumers of various financial institutions. Together with the Insolvency and Bankruptcy Code (IBC), a resolution mechanism for financial firms will ensure comprehensiveness of the resolution system in our country.”* Hence in a year the Bill was cooked up in haste, under pressure to do something about the NPA crisis.

On March 15, 2016, a Committee was set-up to create a draft Code under the chairmanship of Ajay Tyagi, Additional Secretary of the Ministry of Finance. By September 28, with both the Drafting Committee's Report¹ and a Draft Bill² out, the Ministry of Finance invited public comments³ to be submitted by October 14.

The following year, it was announced⁴ that the Union Cabinet, chaired by Prime Minister Narendra Modi, has given the approval to introduce the Financial Resolution and Deposit Insurance (FRDI) Bill, 2017 in the Parliament. It was then introduced on August 10, 2017, the penultimate day of the Monsoon Session, leaving no scope for debate. Despite protests from the opposition on the cavalier manner of the introduction, without timely distribution of copies among members, the Bill was allowed.

On the same day, it was referred to a Joint Committee without even a preliminary reading of the Bill or a debate on its principles and spirit. Objections were raised by some parliamentarians on the need of Joint Committee when there already existed a Standing Committee on Finance, which was empowered to look into the Bill and also had representation from all political parties. It was alleged that the standing committee was being circumvented in order

to secure passing of the Bill in both the houses, as they would be bound by the report of the Joint Committee. It seemed that either the government had some hidden agenda or was worried that the Bill would be blocked in Rajya Sabha, where the ruling party did not enjoy the majority. It was clear that the Government was under pressure to pass the Bill, bulldozing all opposition, as it has done previously with other legislations.

Death Knell to PSBs

The pressure, was not just the domestic call to address the crisis faced by PSBs but one from outside. Post 2008 financial recession that was a strong blow to the “too big to fail” model, a host of new regulations and institutions emerged to protect finance capital. One such was the Financial Stability Board (FSB). FSB was formed, in 2009 (or rather took a rebirth from its earlier avatar of Financial Stability Forum (1999) by the G7 countries.

According to FSB Charter, The Financial Stability Board is established “to coordinate at the international level the work of national financial authorities and international standard setting bodies (SSBs) in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. In collaboration with the international financial institutions, the FSB will address vulnerabilities affecting financial systems in the interest of global financial stability”

Thus, the Financial Stability Board brought out a resolution regime into the picture with a report titled “Key Attributes of Effective Resolution Regimes of Financial Institutions”, for Financial Resolution was adopted in November 2011 by the G20 Heads of the States as the new International standards for resolution regimes. This was endorsed by IMF. FSB and IMF were to individually and jointly assess the progress

of the implementation of these policies through peer review of member countries and inform their progress to G20 countries.

The Key Attributes report was the standard prescription for regulating and resolving financial institutions across the globe and was to be implemented within 2019. With most developed countries accepting the entire draft, India along with a few developing countries was under pressure to implement the report fully or in parts.

The draft FRDI Bill presented in the cabinet, borrows heavily and adheres to the prescriptions of Financial Stability Board's "Key Attributes of Effective Resolution Regimes for Financial Institutions" released in October 2014. In many places copied word to word from the report. The problem with this was that the Indian banking system is different from that of the west. India was also one of the few economies that was relatively insulated from the financial crisis. The government saw the growing NPA crisis as an opportunity to bring in FRDI Bill, without considering the adverse effect the Bill would have on the banking sector and the economy at large.

The struggle to Repeal the Bill

There were many reasons to oppose the Bill. From undermining the powers of RBI to robbing the depositors, it was a clause by clause assault on democratic and social banking visualised during the nationalisation. Most importantly, it cannot be seen in isolation by as a part of the neo-liberal policies, which had time and again attempted to privatise public sector banks. Hence, if it has been implemented, it would have been the beginning of the end of PSBs.

Hence, right from its introduction, the Bill was rightly criticised by the Banking unions. On the very day of its introduction, AIBOC and CFA held a meeting warning against its introduction. But on August 10th, it seemed

like a losing battle, nevertheless one that deserves to be fought.

The need to protect public sector banks, like any other public institutions, brought together civil societies, trade unions, social movements and the bank unions together to form a united front to repeal FRDI. At the core of this coalition was All India Bank Officer's Association (AIBOC), National Alliance of People's Movements (NAPM), New Trade Union Initiative (NTUI) and Centre for Financial Accountability (CFA).

Each of these organisations and many other civil society organisations and unions wrote and also presented before the Joint Committee, the need to repeal the Bill and the threat it poses to the banking sector. Engaging with the Committee was only a small part of the large challenge. The need of the hour was to create awareness among the public as most of the opposition of the Bill was limited to banking sector. The coalition helped in achieving this by campaigning across the country for a year.

At the time when the campaign started, the main stream media, especially the print media was all praise for the Bill. It was touted as a much needed legislation to protect the interest of the depositors. It was also hailed as a panacea to not just the NPA crisis but the banking sector itself. The campaign was able to bring to the fore, how the Bill was indeed more harmful to the depositors as it not just nullifies the existing insurance protection but also makes them partners in the loss of the bank. The campaign also debunked FRDI Bill as a solution to the NPA problem. It rightly demanded criminal actions against wilful defaulters and change the lending policy for large scale loans.

Public meetings, seminars and meeting with the bankers across the country helped creating awareness of the Bill. The coalition also published "Wrong Diagnosis, Harmful

Prescription: A Critique of Financial Resolution and Deposit Insurance (FRDI) Bill, 2017", which comprehensively critiqued the Bill. Online campaign by over 40 organisations helped people to write to their Members of Parliament demanding them to oppose the Bill. AIBOC, under the leadership of Com. Thomas Franco had made representations to all opposition parties. He also met Rahul Gandhi (INA), Sitaram Yetchury (CPM), D. Raja (CPI), Sharad Yadav (LJD), Veerappa Moily (INA, also the chairman of Standing Committee on Finance), Naveen Patnaik(BJD), Pinarayi Vijayan (CPM and CM of Kerala), Karunakaran (CPM and Member of Joint Parliamentary Committee on FRDI), Venugopal (AIADMK), Saugata Roy(TMC), Arjun Mehwale (BJP). AIBOC also sent memorandums to all MPs and the Finance Minister and Prime Minister. AIBOC, also held many state-wide protests to repeal the FRDI Bill. Similarly All India Bank Employee's Association, under the leadership of Com. Venkatachalam was scathing in its opposition to the Bill. UFBU called for protest march participated by over 50,000 bankers stunned the capital. Economists like C.P.Chandrashekar, Jayati Ghosh, Prabhat Patnaik, Meera Nangia, Prashanjit Bose to name a few wrote and publically spoke about the dangers of the Bill.

Slowly, what was seen as just problems of the bank, soon started to take shape as a threat to the depositors. Even though many main stream print media tried to defend the government's position, alternative media houses like NewsClick and a few Youtube channels created awareness against the Bill. The government could no longer ignore and started claiming that it would have depositors' interest paramount. But soon the campaign was able to expose the lies said to the public, creating in many demanding a repeal of the FRDI Bill. The Joint Committee,

which was mandated to give a report before the next session, requested for more time. The Committee which was under pressure from the government to pass the Bill was struggling to garner any support.

The government was in back foot and had to resort to a social media campaign stating that the FRDI Bill is good and the campaign against it, is only to create panic among the public. Unable to sustain its lies and no answer to the questions raised, the government had to back off.

A year after its introduction, the central government withdrew the anti-people Financial Resolution and Deposit Insurance Bill in the Lok Sabha on 7th August 2018. Since pushing back of the land acquisition Bill in 2014, this was a major legislative victory for the common people. In the last four years, this government had rammed in anti-people's policies and legislatures completely undermining democratic processes and debates even in the parliament. But the collective effort of the progressive forces in the country had forced the withdrawal of the FRDI Bill.

The government stated that the reason for withdrawal is the 'apprehensions' of most of the stake holders, including the public about various clauses of the Bill like the bail-in and inadequacy of deposit insurance. Further it stated that a comprehensive reconsideration of these issues would require time. This only shows the lack of preparedness of the government while dealing with a legislation that could potentially change the entire financial system of the country.

The Fight Should Continue

In the withdrawal statement Finance Minister Piyush Goyal informed that withdrawal does not mean the end, but the government will bring back the Bill at the appropriate time. He insisted that the Bill is inevitable to resolve bank failures. Hence,

though the withdrawal of the Bill is a victory for the people of this country, the fight is not over. The government and the RBI, individually and in cahoots had introduced various measures, even before the repeal of the Bill.

One such measure was the appointments of non-executive chairman in PSBs, in the name of “turning around” the bank's performance. Most of these appointees are either from private banks or those who had previously worked in institutions like the IMF, McKinsey. It was also reported that the Prime Minister's Office (PMO) is considering a proposal (“Continuing Reforms In PSBs for Better Performance”) to replace Banks Board Bureau (BBB) with a new body that would operate as a holding company. This is done to ease appointment of top bank officers in consultation with the Reserve Bank of India (RBI). The Economic Advisory Council (EAC) has suggested that the new body should directly report to the PMO, and not to the Finance Ministry. Such a measure will only increase the appointment of more 'experts' from IMF and World Bank who would influence the policies of the board of the banks. In fact the Gyan Sangam recommendation to form BBB clearly stated that BBB will be collapsed into a Company and GoI shares in Banks will be transferred to it. This will pave way for privatisation as recommended by P.J. Nayak Committee.

The RBI on the other hand, harped on the need for more powers and amending the Banking Act. The then RBI Governor Urjit Patel, argued that the private sector banks have more regulations and RBI has more power over them while in the case of PSBs the banking act prevents RBI from firing top

management, merge or liquidate public sector banks. Hence the need for Regulations that are ownership neutral. According to the then RBI governor, *“A private bank CEO's primary concern is whether s/he will be able to raise capital when the need arises or even whether s/he will still be running the bank the next day,”* and that this market and regulatory discipline help in keeping the frauds in check. This is where he states that the public sector banks have a free reign as they have *“implicitly a stronger perceived sovereign guarantee for all creditors of PSBs, and the principal shareholder – the government – has not so far been interested in fundamentally modifying the ownership structure.”* Such statements from the governor when charges of scams against Ms. Chanda Kochhar and Ms. Shikha Sharma of ICICI and Axis bank only show the vitriolic campaign against PSBs.

Since all blatant moves towards privatisation are faced with tough resistance by the unions and the civil society, the government is now trying to push through changes in the top brass and changing institutions to hollow PSBs from within. Both the Government and the RBI has been united in their attempts to further the neo-liberal policies. But at the core of the banking crisis lies corporate debt and loot of public money. Unless the government strengthens recovery mechanisms, improving lending practices, penalise wilful defaulters and restrict corporate loans, there cannot be a long term solution for crisis of bad loans. Any attempt to 'reform' banks without curbing corporate plunder of public money is only an effort to weaken the public sector banks. Hence, we have to be vigilant against the imposition of this Bill and its clauses in any shape or form by the government.

End Notes:

¹ http://dea.gov.in/sites/default/files/report_rc_sept21_1.pdf

² http://dea.gov.in/sites/default/files/FDI%20BILL-27092016_1.pdf

³ <http://pib.nic.in/newsite/mbErel.aspx?relid=151215>

⁴ <http://pib.nic.in/newsite/PrintRelease.aspx?relid=165620>

Annexure for Chapter 2 – Financing of Development for All under Modi Government: What do last four years tell?

Table 1: Major Heads of Developmental and Non-Developmental Expenditure of The Central Government

(` in Billion)									
Year	Develop- mental expendi- ture	of which				Share (%)	Y-to-Y growth	Non- develop- mental expendi- ture	Total expenditu- re (2+5)
		Economic services	Share (%)	Y-to-Y growth	Social services				
1	2	3			4			5	6
2010-11	6660.69	4043.12	60.70		1249.90	18.77		5514.71	12175.40
2011-12	7053.21	4369.43	61.95	8.07	1136.12	16.11	-9.10	6270.75	13323.96
2012-13	7424.17	4582.22	61.72	4.87	1193.46	16.08	5.05	6928.56	14352.73
2013-14	7845.04	4783.76	60.98	4.40	1348.40	17.19	12.98	8030.70	15875.74
2014-15	8138.13	4597.86	56.50	-3.89	620.38	7.62	-53.99	8811.59	16949.72
2015-16	8350.19	4952.34	59.31	7.71	914.62	10.95	47.43	9901.72	18251.91
2016-17	8993.69	5699.10	63.37	15.08	1053.03	11.71	15.13	10758.25	19751.94
2017-18	10569.95	6989.34	66.12	22.64	1185.20	11.21	12.55	11607.55	22177.50
2018-19	11468.28	7615.04	66.40	8.95	1262.27	11.01	6.50	12953.85	24422.13

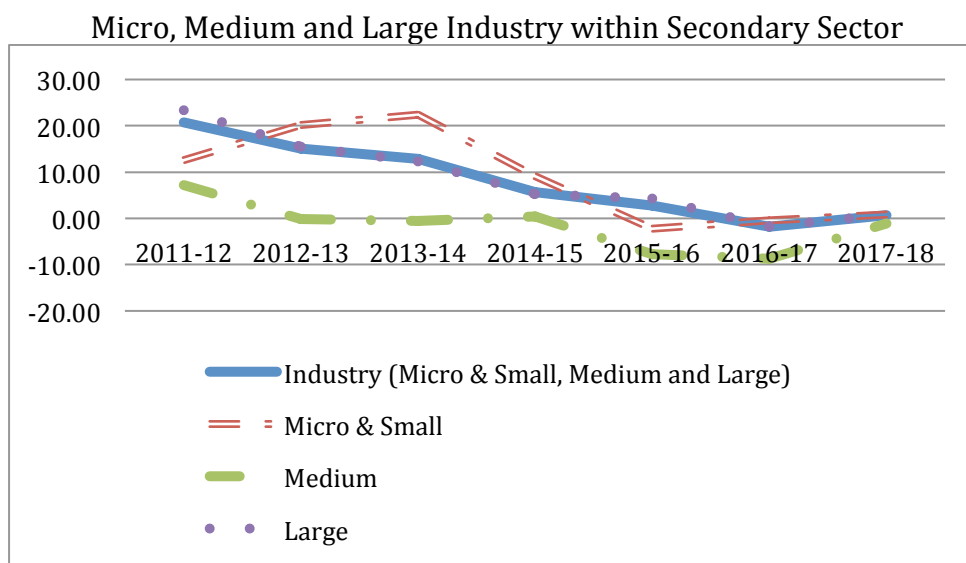
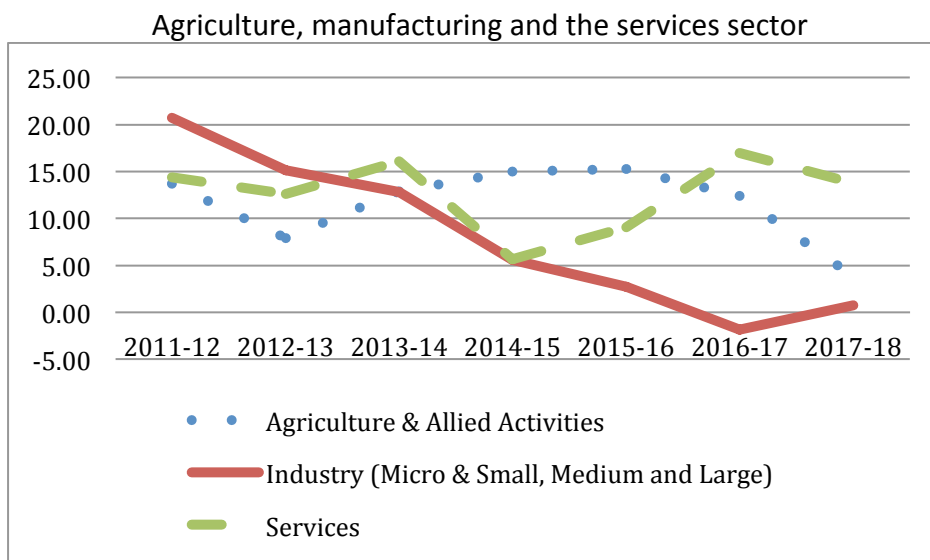
Notes:

1. Data for 2017-18 are Revised Estimates and data for 2018-19 are Budget Estimates.
2. Total Expenditure and Developmental Expenditure of 2007-08 include an amount of ` 355.31 billion on account of transactions relating to transfer of Reserve Bank's stake in SBI to the Central Government.
3. Data on development and non-development expenditure are inclusive of gross expenditure of commercial and postal departments.

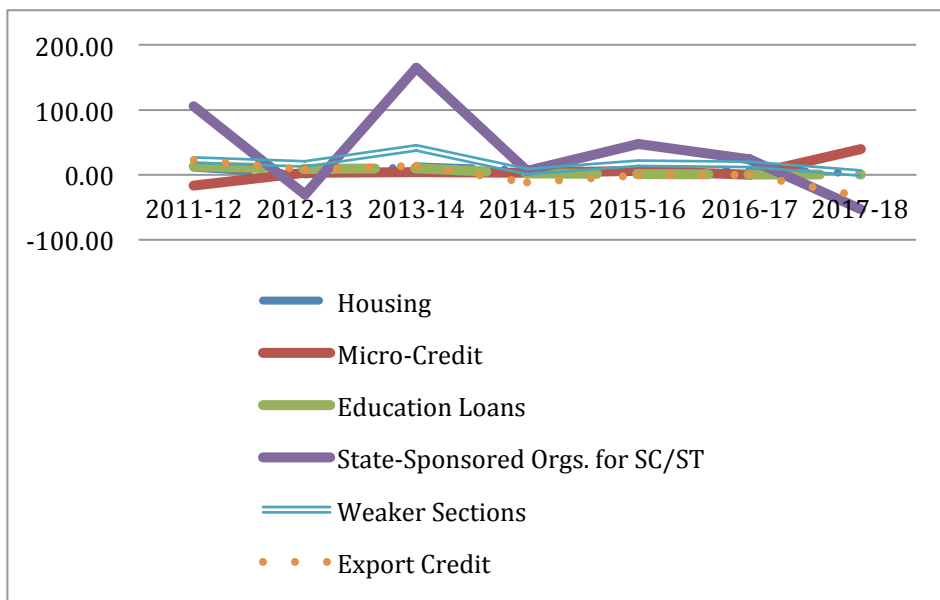
Also see Notes on Tables.

Source: Budget documents of the Government of India.

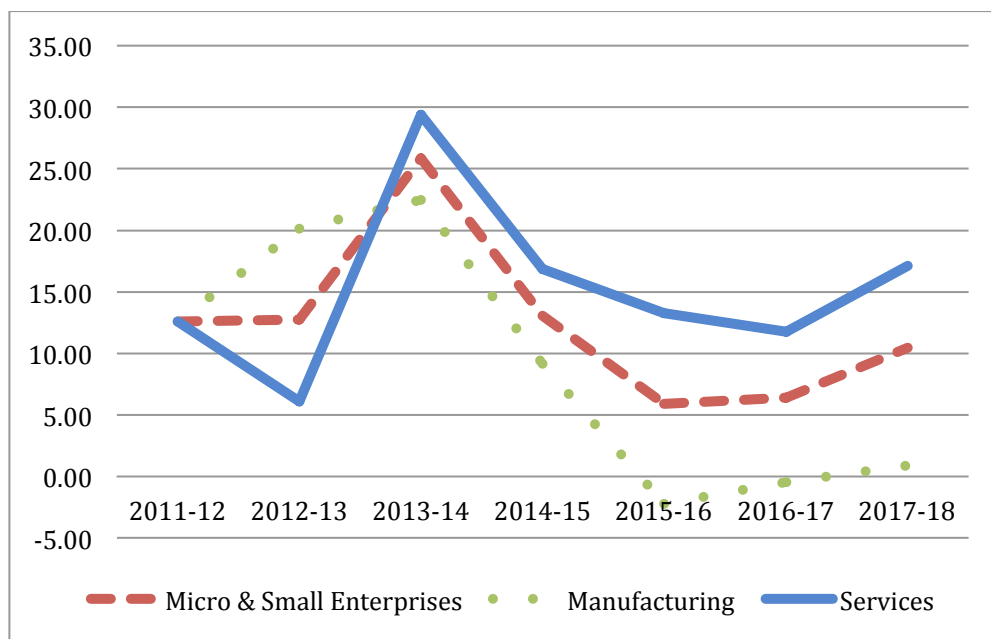
Sectoral Deployment of Non-Food Gross Bank Credit Outstanding (Year-to-Year Growth from 2011-2018)



Key contributors in the Priority Sector

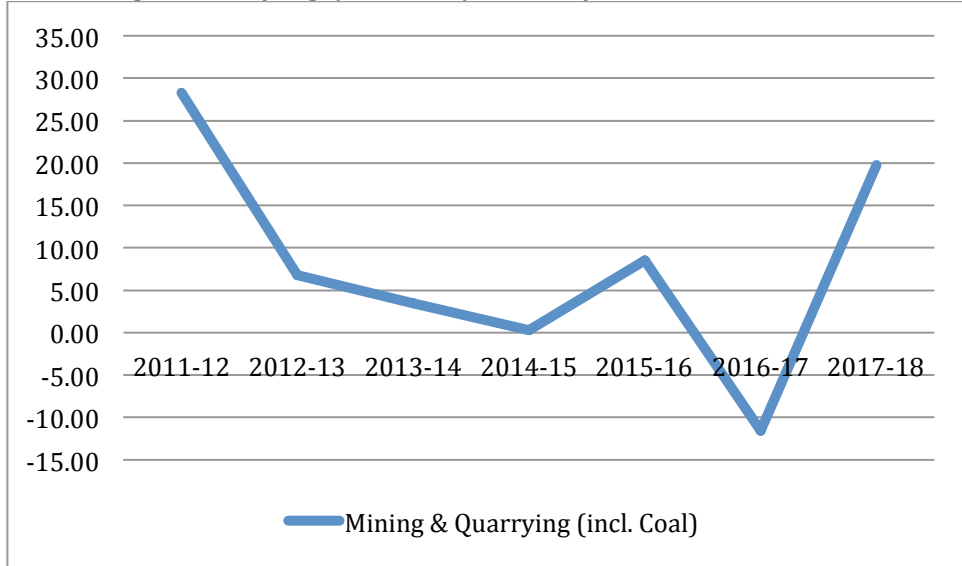


Manufacturing and Services within Micro & Small Enterprises

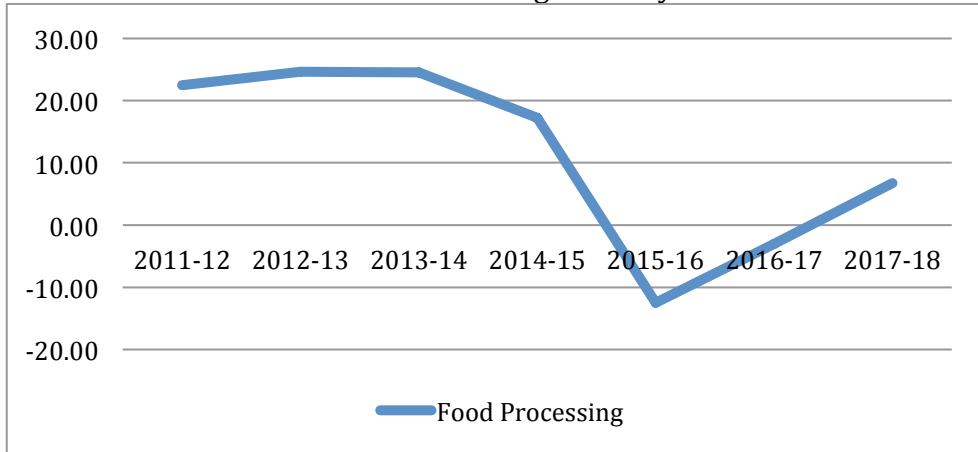


Industry-Wide Deployment Of Gross Bank Credit
(Year-to-Year Growth Across Major Industries)

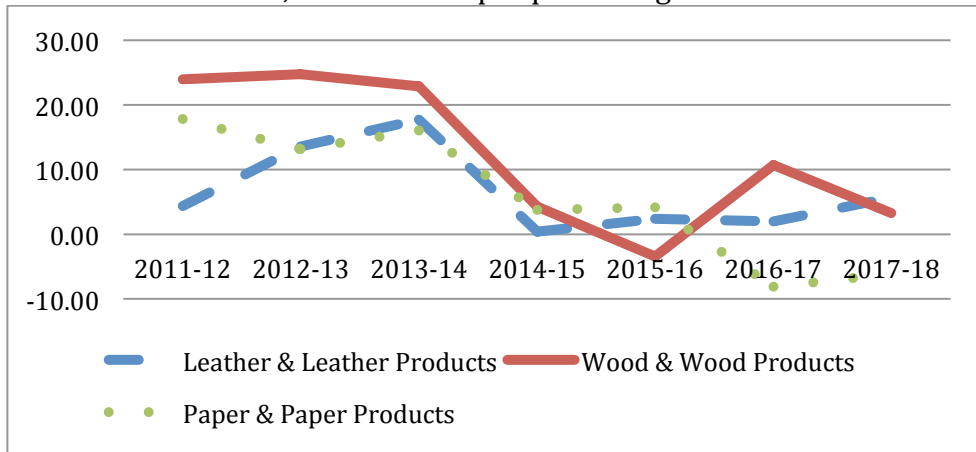
Mining & Quarrying (incl. Coal) Industry



Food Processing Industry



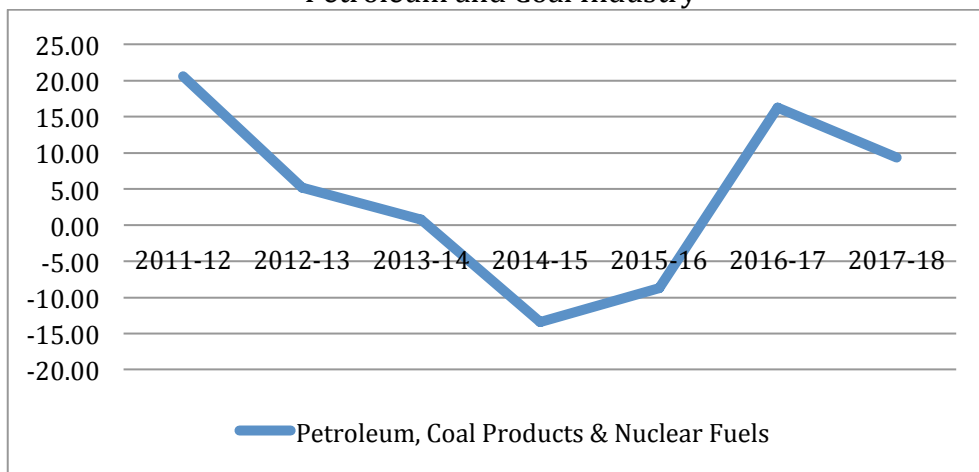
Leather, Wood and Paper producing Industries



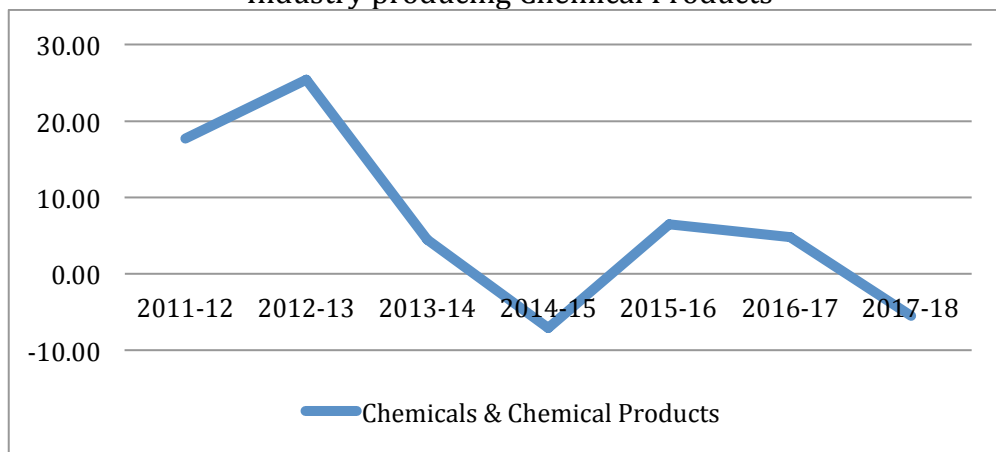
Textile Industry



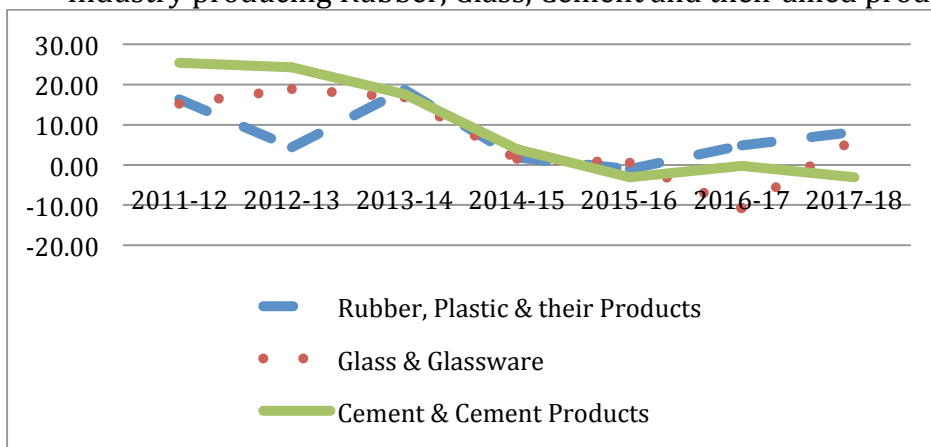
Petroleum and Coal Industry



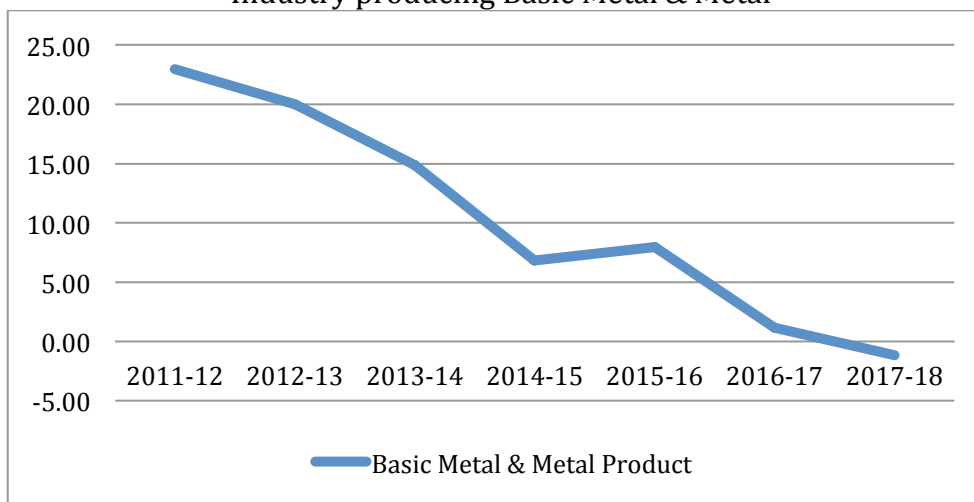
Industry producing Chemical Products



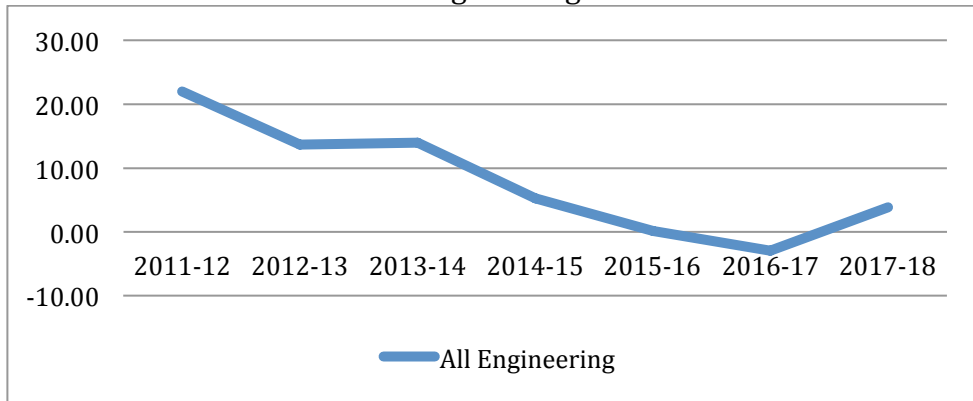
Industry producing Rubber, Glass, Cement and their allied products



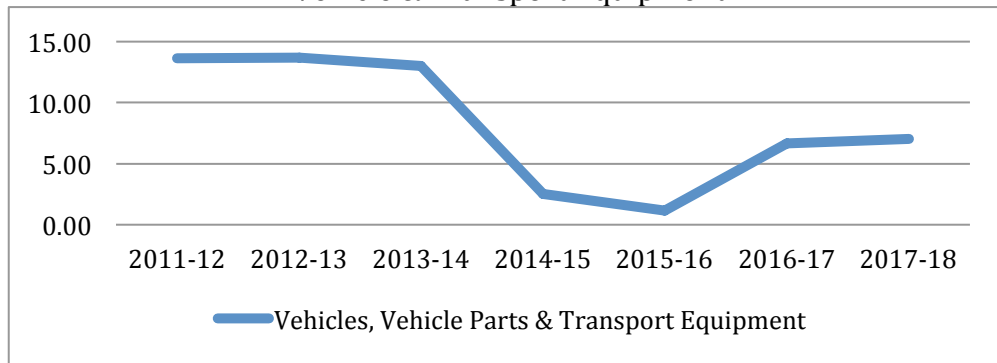
Industry producing Basic Metal & Metal



Engineering



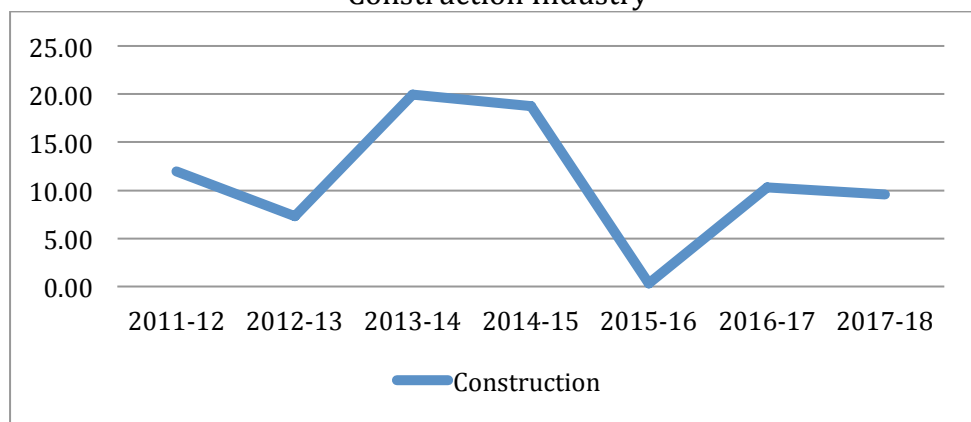
Vehicle & Transport Equipment

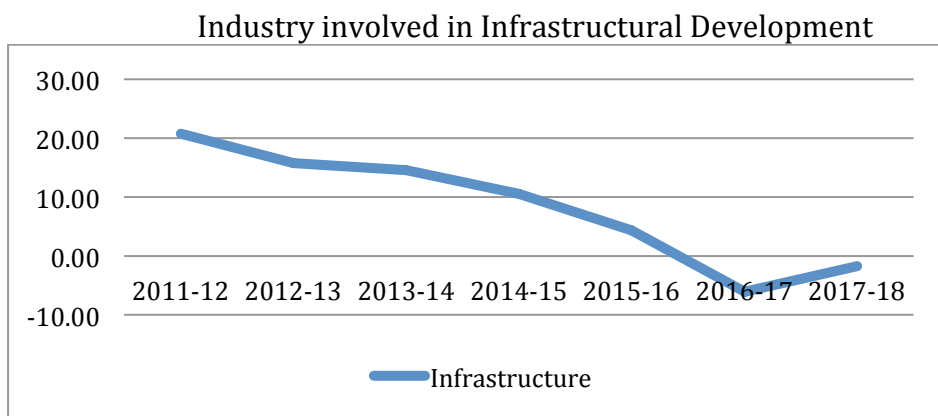


Gems and Jewellery Industry



Construction Industry





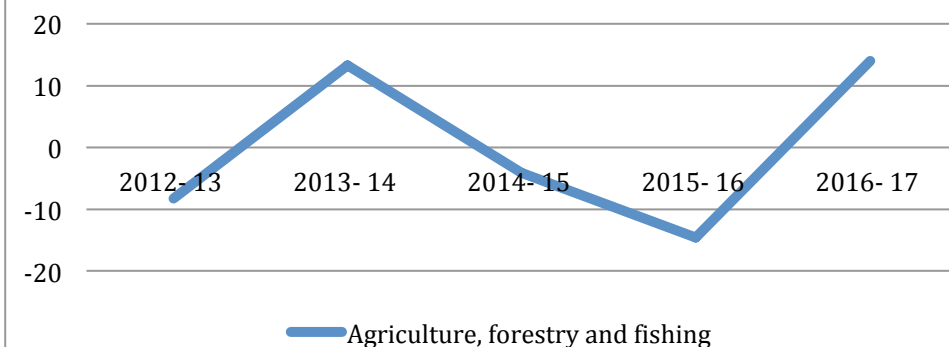
Source: RBI

Table 2: Gross Capital Formation by industry of use at constant (2011-12) prices (Rs. Crore)

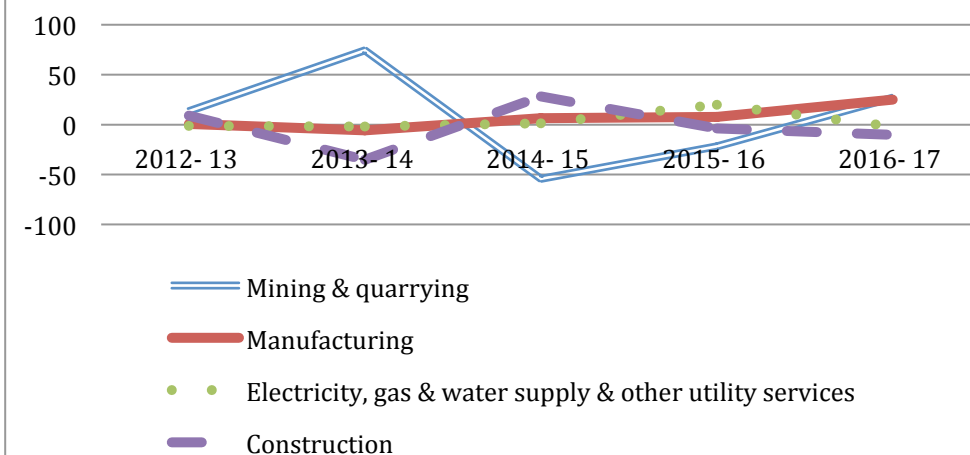
	Item	% Change over previous year				
		2012- 13	2013- 14	2014- 15	2015- 16	2016- 17
1	Agriculture, forestry and fishing	-8.3	13.3	-4.1	-14.6	14
2	Industry	2.5	-5.8	1.5	7.4	12
(i)	Mining & quarrying	13.8	74.4	-54.2	-21.8	27
(ii)	Manufacturing	0.8	-5.8	6.8	7.9	25
(iii)	Electricity, gas & water supply & other utility services	-1.3	-1.8	1.4	20.1	-1.5
(iv)	Construction	8.8	-35.1	28	-4	-10.4
3	Services	7.8	0.9	12	3.8	0.9
(i)	Trade, repair, hotels & restaurants	81.9	-39.1	59.8	21.9	-24.7
(ii)	Transport, storage, communication & services related to broadcasting	0.8	19.3	-30.3	44	23.9
(iii)	Financial services	-17.3	-0.8	66.4	6.8	-71
(iv)	Real Estate, ownership of dwellings & professional services	-2.9	7.1	15.1	-18	0.3
(v)	Public administration and defence	2.3	9	7.9	15.8	13.5
(vi)	Other services	-0.4	16.7	8.9	17.9	19.4
4	Total GCF by industry of use**	4.4	-0.7	6.9	3.6	5.6

** This does not include valuables and adjustment factor from flow of funds. Source: Central Statistics Office

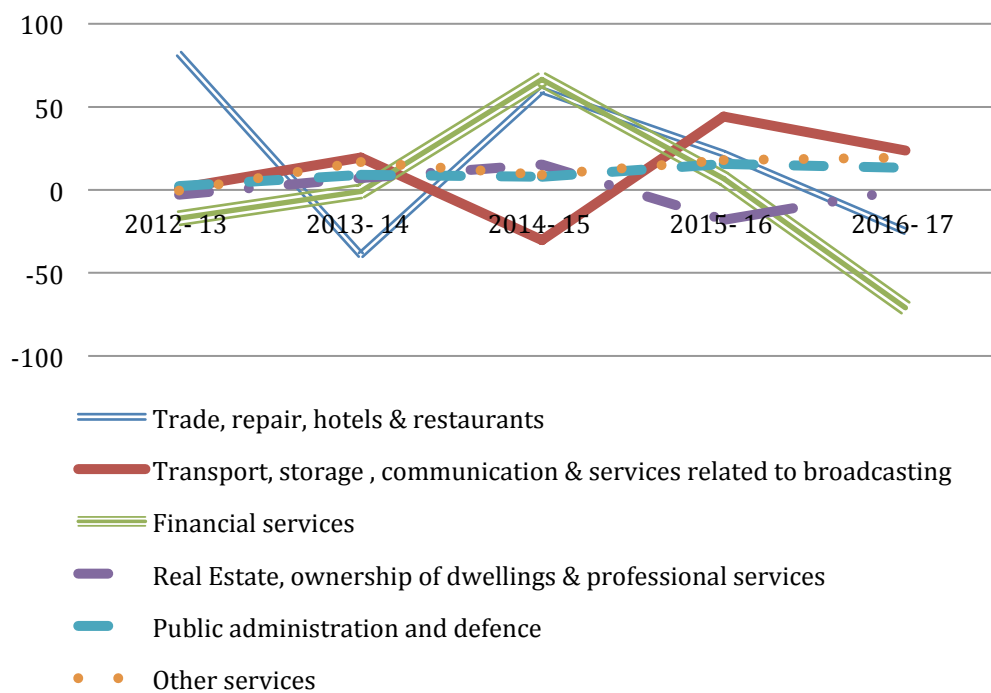
GCF of Primary Sector



GCF of Industry Sector



GCF of Service Sector



Annexure for Chapter 7 – Demonetisation:

The Cruel Joke on the People of India

List of cases of money laundering immediately after demonetisation was announced as reported in National dailies.

Sl No	Particulars	Name	Place	Date	Political Connection	Amount	Source
1	Couple carrying new currency apprehended by army		Manipur	06.12.2016		932000	Official twitter handle army
2	2 arrested for exchanging new 2000 notes		Vijayawada	02.12.2016		3100000	ABP News
3	20.55 lakh seized from BJP youth wing secretary	J V R Arun	Salem	28.11.2016	BJP	2055000	The Hindu
4	Delhi Police arrested two person from Nizamuddin station		Delhi	25.11.2016		2700000	Times of India
5	2 held with 3.5 crore in new note in Axis bank branch in Kashmere Gate		Delhi	25.11.2016		35000000	The Quint
6	4.7 crore in 2000 seized from senior government engineers	SC Jayachandra, T.N Chinkarayappa	Bangalore	01.12.2016		47000000	The Hindu
7	Police seizes 1.43 crore(85 lakh new currency) in Sambalpur, 8 arrested	Zyarat Ali, Muhammed Quazzfi, Riffat Ali	Odisha	05.12.2016		14300000	The Hindu

8	Bribe paid entirely in new 2000 note to port trust officials	P Srivasuvu, K Komtekar	Gujarat	17.11.2016		290000	NDTV
9	71 lakh new currency seized in Udupi	Imran Hussain, Asif Umar, Deepak Shetty	Karnataka	04.12.2016		7100000	Times of India
10	BJP leader arrested with 33 lakh new currency	Mahesh Sharma	West Bengal	06.12.2016	BJP	3300000	ABP Live
11	34 lakh (new+old) seized in Gujarat, 10.60 lakh new currency	Virbhadr Jadeja, Pravin Mali, Yajvendra Parmar	Gujarat	23.11.2016		3400000	The Indian Express
12	New currency note worth 95 lakh seized		Hyderabad	02.12.2016		9500000	Huffington Post
13	11 lakh in new currency seized by Alwar Police	Manish Jain, Nitesh and Bhadri Prasad	Alwar	05.12.2016		1100000	Times of India
14	58 lakh of new 2000 denomination seized		Hyderabad	06.12.2016		5800000	The Hindu
15	34 lakh in new currency seized from Taluk Panchayat Member	B.S Anantha Kumar	Kodagu	04.12.2016		3400000	Times of India
16	Cash worth 30 lakh seized (3 lakh in 2000 note, rest in banned notes)	Sumant Pradhan, Mamta Behra	Bhubaneswar	20.11.2016		300000	The New Indian Express
17	35 lakh seized in Karnataka, arrest 5, 4.5 lakh in another	Vijay Kadappa Gowda, Subramanya Vassapa Gowda,	Karnataka	01.12.2016		3950000	Times of India

	incident	Rudramani Omkarappa Gowda					
18	Police seizes 8 lakh (6 lakh in new currency)	Surya Pratap Singh	Gwalior			800000	ABP News
19	Gang robes 19 lakh from stock broker (10 lakh in new 2000 notes)	Sidhamsetty Santhosh(stock broker)	Hyderabad	27.11.2016		1900000	Deccan Chronicle
20	2 held with Rs 6 lakh in new 2000 notes	Pratik Soni and Hiren Chau	Rajkot	26.11.2016		600000	Times of India
21	2 arrested with 3670 new 2000 rupee notes		Bhopal	24.11.2016		734000	ABP Live
22	5 arrested with 6 lakh worth new currency	Harris,Nisar, Noushad, C H Sidduqe, Shaffique	Kerala	19.11.2016		600000	The New Indian Express
23	One held with new notes worth 37 lakh in Challekere	Ramakrishna	Karnataka	06.12.2016		3700000	The New Indian Express
24	CBI seize cash worth 17.02 lakh in new notes, 4 arrested		Hyderabad	07.12.2016		1702000	ANI Twitter Handle
25	New notes worth 46 lakh seized in Chikamangalur	Kiran H L, Kumar and Arun Kumar	Karnataka	02.12.2016		4600000	The Hindu
26	Singapore bound passenger carrying new currency fined		Chennai	01.12.2016		250000	The Indian Express

27	Income tax raid unearth 20 lakh in new currency		Ahmedabad	19.11.2016		2000000	Times of India
28	12.4 lakh cash seized from a family in a car (10 lakh in 2000 note)		Ahmedabad	23.11.2016		1240000	NDTV
29	Police seize 18 lakh in new currency, 4 arrested in Kolar	Srinivaslu, Sudhakar, Ateeshh, Sunil	Karnataka	07.12.2016		1800000	The Hindu
30	State Bank of Bikaner and Jaipur head cashier suspended	Yogendra Meena	Jaipur	11.30.2016		10000000	Times of India
31	Unaccounted 11.13 lakh (8.5 lakh in 2000 notes) seized in Belgavi	Manjunath, Vishwanath	Karnataka	07.12.2016		1113000	The Indian Express
32	Goa police seize 1.5 crore in new currency	Ramesh Narwekar and Sindhu	Goa	07.12.2016		15000000	Financial Express
33	Faridabad police arrest 4 person with Rs 8.90 lakh in new currency		Delhi	07.12.2016		890000	Nav Bharat Times
34	Income Tax Dept Seize 90 crore (10 crore in new 2000 note) in currency and 100 kg gold in Chennai	Shekhar Reddy, Srinivas Reddy	Chennai	09.12.2016	AIADMK	900000000	The Indian Express
35	Police arrest 6 people for carrying Rs 15 lakh in new currency, Chitradurga		Karnataka	08.12.2016		1500000	ANI Twitter Handle

36	CBI arrest 2 and seized 5.63 crore in new currency, total 5.86 crore	Nazeer Ahmad, Chandrakanth Ramalingam	Bengaluru	05.12.2016		56300000	Times of India
37	Gujarat police seize 76 lakh in 2000 note, 4 detained	Girish Patel, Dipti Patel, Rajkumar Singh, Arun Kashinath	Gujarat	10.12.2016		7600000	Hindustan Times
38	85 lakh in new currency seized in Dadar	Hitesh Shah	Mumbai	10.12.2016		8500000	The Indian Express
39	New currency worth 10 lakh seized	Deepak and Pawan Saini	Gurugram	09.12.2016		1000000	The Indian Express
40	Haryana police seize 10 lakh in new currency	Amandeep	Haryana	17.12.2016		1000000	The Indian Express
41	New currency worth 18 lakh seized		Jabalpur	09.12.2016		1800000	News Nation T V
42	Rs 23 lakh in new currency seized from Congress leader house	Bhola Sonkar	Jabalpur	23.3.2017	Congress	2300000	Patrika.com
43	Two detained with 25 lakh cash in Porbander	Virendra Dharani, Mayur Makadiya	Gujarat	09.12.2016		2500000	The Indian Express
44	24 crore in new currency seized in Vellore	Shekhar Reddy, Srinivas Reddy	Chennai	10.12.2016		240000000	The hindu
45	New currency worth 70 lakh seized from post officials kin	K Sudheer Babu	Hyderabad	10.12.2016		7000000	Hindustan Times

46	39.98 lakh cash in 2000 rupee note seized in Malapuram	Shoukath Ali, Shabeer Babu	Kerela	24.12.2016		3998000	Hindustan Times
47	IT dept seize 7.20 lakh in new currency from Bhilwara		Rajasthan	10.12.2016		720000	The Indian Express
48	82 lakh in new currency seized from Kothur		Andhra Pradesh	10.12.2016		8200000	The Indian Express
49	13 crore seized from South Delhi law firm T&T(2.5 crore in new note)	Rohit Tandon(Promoter)	Delhi	11.12.2016		25000000	NDTV
50	14.51 lakh new currency seized in Bharuch	Ankit Modi	Gujarat	11.12.2016		1451000	The Indian Express
51	police arrest 2 realtors with 22 lakh in new cash	Gururaj, Srinivas	Mysore	11.12.2016		2200000	Times of India
52	32 lakh in new currency seized in two separate incidents		Telangana	11.12.2016		3200000	ABP Live
53	10 lakh found from doctors chamber, Salt Lake		Kolkata	01.12.2016		1000000	Times of India
54	1.56 crore seized (1.38 crore in 2000 note) from Cooperative Bank	Keshav Badaya,Bank CEO	Jaipur	12.12.2016		15600000	India Today
55	Police seize 1.55 crore from businessman in 2000	Hardie Singh Bedi	Guwahati	12.12.2016		15500000	The Indian Express

	and 500 notes						
56	Jaipur police seize 64 lakh in new currency notes	Deepak Bhardiya, Sandeep, Ayush	Jaipur	12.12.2016		6400000	Times of India
57	Bikaner based business man robbed of 83 lakh,	Rajesh, businessman	Jaipur	12.12.2016		8300000	Hindustan Times
	In another incident, 2 caught for exchanging new notes 8 lakh seized	Syamlal and Bhanwar	Jaipur	12.12.2016		800000	Hindustan Times
58	19.67 lakh cash seized from business man	Sahil Goyal	Vadodara	13.12.2016		1967000	The Indian Express
59	20 lakh seized from business man in Hatigaon area		Guwahati	13.12.2016		2000000	The Indian Express
60	ED seizes 93 lakh in new notes, 7 arrested including relative of govt official		Karnataka	13.12.2016		9300000	The Wire
61	2 caught in Rudrapur with 10 lakh new currency	Amit Kaur, Paras Rai	Dehradun	13.12.2016		1000000	Times of India
62	Police seize 15.40 lakh from Balaghat (14.40 lakh in 2000 note)	Amit Saware, Abhishek Sharaff	Madhya Pradesh	14.12.2016		1540000	Hindustan Times
63	33 lakh in new currency seized in Mumbai		Mumbai	13.12.2016		3300000	Deccan Chronicle

64	7.92 lakh new note seized in Gurugram	Vikas Gupta	Gurugram	14.12.2016		792000	Times of India
65	17 lakh all in new 2000 currency seized in Gurugram	Kapil and Karan	Gurugram	09.12.2016		1700000	Times of India
	1.73 lakh and 1.44 lakh seized in Palwal		Gurugram	06.12.2016		317000	Times of India
66	Businessmen caught with 1.04 crore in new currency	Gaurav Picha, Harish Raut, Chintan Rambhiya	Thane	14.12.2016		10400000	Times of India
67	IT dept intercepts currency worth 68 lakh in Panaji		Goa	14.12.2016		6800000	Times of India
68	2.25 crore in new note seized from Bangalore flat		Bangalore	14.12.2016		22500000	NDTV
69	ED seizes 2.18 crore(70 lakh in new notes+ 100 note) from cloth merchant,HDFC bank head also involved	Inderpal Mahajan	Mohali	17.12.2016		21800000	The Indian Express
70	4 arrested with currency of over 25 lakh in new note, Faridabad		Delhi	14.12.2016		2500000	Hindustan Times
71	67 lakh seized in Pune (62 lakh in new currency rest in 100)	Pravin Jain,Chetan Rajput, Sainath, Amit	Pune	14.12.2016	Republican Party of India	6700000	The Hindu
72	24 lakh in new currency seized from		Goa	14.12.2016		2400000	The New Indian

	Calangute, Goa						Express
73	10 crore mostly in new note found from bank lockers of US based MNC	Worldwide Oilfied Machine (WOM)-MNC	Mumbai	15.12.2016		100000000	The Indian Express
74	1.11 crore seized from Shiva Sena leader (47 lakh in new 2000 note)	Dhananjay Gowde	Mumbai	15.12.2016	Shiv Sena	11100000	The Indian Express
75	New note worth 9.5 lakh seized in Gurugram	Jai Prakash, Naveen, Manu	Gurugram	15.12.2016		950000	Times of India
76	17.30 lakh in 2000 note seized from Krishna district AP		Vijayawada	15.12.2016		1730000	First Post
77	70 lakh in new currency seized from searches across city, Jaipur	Sunil Gupta and Priyanshu Gupta, Ajit Malik	Jaipur	15.12.2016		7000000	Deccan Chronicle
78	New currency worth 25 lakh seized in Golaghat		Guwahati	15.12.2016		2500000	The Indian Express
79	Police seize cash worth 41 lakh, all in 2000 and 100, 11 arrested in Wasihim		Maharashtra	16.12.2016		4100000	The Indian Express
80	Mumbai police seize 10.10 crore in Chembur (10 lakh in new note, rest banned), connections with Pritam Munde		Mumbai	15.12.2016	BJP	1000000	Times of India

81	Cash worth 43 lakh seized from TV actor	Rahul Chelarni	Itarsi	08.12.2016		4300000	Hindustan Times
82	New currency worth 52.5 lakh seized in two incidents	Fazlur Rahman, Unnimoy	Malapuram	15.1.2017		5250000	The Indian Express
83	around 40.9 lakh in new and old note seized (24.5lakh in new note)		Gurugram	16.12.2016		2450000	Times of India
84	16.35 lakh cash seized in Rajkot in two separate incidents	Hiren Joshi	Rajkot	16.12.2016		1635000	Hindustan Times
85	7 lakh in new currency seized from West Midnapore	Subrata Majhi, Purnashankar Ganguly	Kolkata	17.12.2016		700000	The Indian Express
86	Proberly dealers house raided, 64.8 lakh cash seized	Sukhbir Shokeen	Delhi	15.12.2016		6480000	The Hindu
87	Hawala operator arrested with 5.70 crore in new notes	K V Veerendra	Karnataka	13.12.2016		57000000	The Hindu
88	16 lakh in new currency seized from financier house (25 lakh total)		Surat	15.12.2016		1600000	Times of India
89	61 lakh seized from chief fire officer residence	Dinesh Verma	Jaipur	16.12.2016		6100000	Times of India
90	12 lakh in new note from M.P, 6 held in two separate	Vikram Singh Rajput	Madhya Pradesh	16.12.2016		1200000	Times of India

	incidents						
91	New currency worth 7.39 lakh found, 4 quizzed		Dehradun	15.12.2016		739000	Times of India
92	50-60 lakh in new currency seized from prominent sweet shop owner	Virendar Kumar Gupta	Lucknow	16.12.2016		6000000	Times of India
93	23 lakh new currency seized in Kalyan	Nitin Jain, Aravind Jain	Mumbai	20.12.2016		2300000	The Hindu
94	2 held in Kalyan with 21 lakh old and new note (new 19.4 lakh)	Mayur Thakur, Tushar Manik	Mumbai	15.12.2016		1940000	Times of India
95	1.4 crore in new currency seized in Juhu	Vishal Zaveri	Mumbai	17.12.2016		14000000	The Indian Express
96	IT unearth unaccounted income of 15.4crore (new currency 15 lakh)	Khanna Jewelers	Ludhiana	17.12.2016		1500000	The Indian Express
97	12 lakh in new currency seized by counter intelligence unit		Amritsar	17.12.2016		1200000	NDTV
98	18 lakh in new currency note seized from Noida, 3 held	Vinay kumar, Mahendra Kumar, Praveen	Delhi	18.12.2016		1800000	First Post
99	2.67 crore old and new note seized (17 lakh in new note, 2.5 crore old)	R K Jain, Engineer Dist Irrigation Dept	Meerut	20.12.2016		1700000	The Indian Express

100	Raid at Tamil Nadu Chief Secretary, seized 30 lakh in new currency	P Ramamohana Rao	Chennai	22.12.2016	AIADMK	3000000	The Hindu
101	cash worth 28 lakh in 2000 note seized from Dubai bound passenger	Ashraff Veetil	Mumbai	22.12.2016		2800000	The Indian Express
102	37.5 lakh new note seized in Kochi		Kochi	21.12.2016		3750000	Mathrubhumi
103	37 lakh in new note seized in Hyderabad, all in 2000		Hyderabad	14.12.2016		3700000	NDTV
104	IT dept seize 2.3 crore in new currency from businessman	Amulya Das	Assam	23.12.2016		23000000	The Indian Express
105	1 crore in new note seized in raids in Kolkata and other dists of WB		West Bengal	20.12.2016		10000000	NDTV
106	Outside Chennai Airport 1.34 crore in new currency seized		Chennai	21.12.2016		13400000	Twitter handle NDTV
107	29 lakh in new currency seized, 2 held from Garo hill region		Meghalaya	22.12.2016		2900000	NDTV
108	Karnataka police arrest two with 29.98 lakh in new currency		Karnataka	22.12.2016		2998000	ANI Twitter Handle
109	Two naxal supporters arrested with 3.5 lakh		Chhattisgarh	21.12.2016		350000	ANI Twitter Handle

	in new currency						
110	37 lakh in new currency seized from car, two arrested		Erode	17.12.2016		3700000	Press Trust of India
111	53 lakh in new currency seized from Delhi airport	Nigerian National travelling to Coimbatore	Delhi	24.12.2016		5300000	Hindustan Times
112	50 lakh in new 2000 note seized by excise dept from Kannur		Kerala	25.12.2016		5000000	ANI Twitter Handle
113	48 lakh including 45 lakh in new note seized from courier firm owner		Mumbai	28.12.2016		4800000	Press Trust of India
114	10.5 crore seized from Chaiwala turned Financier, cash of 1.45 crore	Kishore Bhaiyyawala	Surat	18.12.2016		14500000	Hindustan Times
115	1.57 crore in new currency seized in two separate incidents		Surat	10.12.2016		15700000	The Indian Express
116	Tapi police seize 13 lakh cash, 10 lakh in old notes		Mumbai	10.12.2016		300000	The Indian Express
117	IT raid at Karnataka minister, 15 crore cash seized, ore than 300 crore undisclosed income	D K Shivakumar	Bengaluru	05.08.2017	Congress	150000000	NDTV
118	IT finds undisclosed asset worth 162 crore and 42 lakh cash	Ramesh Jarkiholi, Laxmi Hebbalkar	Bengaluru	24.1.2017	Congress	4200000	Hindustan Times

	from Karnataka minister						
119	40 lakh in new currency seized in Hoshangabad from Anti Corruption Societys President		Madhya Pradesh	08.12.2016		4000000	The Indian Express

Annexure 2: List of innocent people who lost their lives due to demonetisation.

This Report is dedicated to the memory of those who couldn't survive the wrath of demonetization:

We present here details of some of the victims.

1. A businessman in Faizabad, Uttar Pradesh, reportedly died of severe chest pains immediately after PM Modi's 8 November announcement. (Financial Express)
2. In a similar incident, a man died of a heart attack in Kanpur during the 8 November announcement. According to reports, the man had received Rs 70 lakh in advance for selling his land on 7 November – after months of attempting to do so. (APB Live) 9 November
3. An 8-year-old girl died in Uttar Pradesh's Mahua Mafi village after being allegedly deprived of timely medical attention. According to reports, the minor's father was turned away from a petrol pump after he tried to pay them with an old note of Rs 1,000 and was delayed while on his way to the hospital. (Hindustan Times)
4. Teerthraji, 60, died in Gorakhpur after she collapsed in front of the closed gates of a bank in Chandini Chowk area of the Kushinagar district. The husband of the deceased, a washer man named Ram Prasad, said that she had two notes of Rs 1,000 in savings and had died of shock. (Times of India)
5. Kandukuri Vinoda, 55, allegedly committed suicide in Telangana's Mahabubabad district because she was worried about the Rs 54 lakh cash in her possession. The family of farmers had reportedly sold their land to meet medical expenses of the husband of the deceased. (Times of India)
6. A woman, identified as Madhu Tiwari, was allegedly killed by her husband in Burdwan after she failed to withdraw money from an ATM. (Catch News) 11 November
7. KK Unni, 45, an employee of the Kerala state electricity board, fell to his death from the second floor while trying to file a deposit slip for Rs 5 lakh. The incident occurred at a Thalassery building and is suspected to be accidental. (The News Minute)
8. Karthikeyan, 75, died after he collapsed in front of the Danapadi SBT branch in Harippad, Alappuzha. (The New Minute)
9. Vishwanath Vartak, 73, collapsed and died on the spot after having waited in a queue at a State Bank of India branch at Navghar, Mulund for a few hours. (India Today)

10. Halke Lodhi, a 70-year-old farmer from Chhatarpur, Madhya Pradesh, allegedly committed suicide after failing to exchange money so as to buy seeds and fertilisers. However, the police have blamed a family dispute for the death. (Hindustan Times)
11. A newborn died in Rajasthan's Pali district after an ambulance refused to take the child to a hospital because the parent, Champalal Meghwal, only had notes of Rs 500 and Rs 1,000. (Indian Express)
12. A 45-year-old man named Ram Awadh Sah reportedly died of a heart attack in Bihar's Kaimur district after he heard about the demonetization announcement. According to reports, Sah was worried that the Rs 35,000 he had saved, in old notes, as dowry for his daughter would not be accepted. (India Today)
13. A child died in a hospital in Uttar Pradesh's Bulandshahr after the minor's parents failed to deposit an advance amount of Rs 10,000 in new currency notes for admission. Representatives of the hospital – a branch of the Kailash group owned by Culture Minister Mahesh Sharma – have denied the allegations that they had refused to accept old currency notes. (One India)
14. Sanno, an elderly woman, died of a heart attack in her house in Kanpur. According to reports, the woman died of a heart attack. An amount of Rs 2.69 lakh in demonetised notes of Rs 500 and Rs 1000 were found near her body. (Dainik Bhaskar) 12 November
15. An 18-month-old girl, Komali, died in Vishakapatnam after a private hospital in Gajuwaka refused to accept old notes her parents had offered to settle her bills. The toddler died of high fever. (Times of India)
16. Gopala Shetty, 93, died at Karnataka's Ajekar village in Udupi after collapsing while waiting in a queue at the state- run Corporation Bank. (IANS)
17. A 47-year-old farmer died in a bank queue at Gujarat's Tarapur town, where he was waiting to withdraw money to pay his workers. "Barkat Sheikh died due to a heart attack when he was standing in a queue at the Corporation Bank branch to exchange his demonetised notes," Tarapur police inspector KC Rathwa said. (PTI)
18. A two-year-old boy died in Odisha's Sambalpur after his father, Sudarin Surin, was denied transportation to the hospital because of the invalid notes in his possession. Upon reaching the Meghahal hospital, he was advised to take the child to another hospital 40km away. The child succumbed a few hours later. (Report Odisha)
19. Ravi Pradhan, 45, allegedly committed suicide in Raigarh after he failed to exchange notes to help his family in Tamil Nadu. The deceased, a farmer, failed to exchange Rs 3000 despite standing in queues for two days at a bank in Saraia. (Firstpost)

20. Raghunath Verma, 70, a retired school teacher died after waiting for eight hours at the State Bank of India's Madhogarh branch to withdraw money for his daughter's wedding. He suffered a cardiac arrest and was rushed to the hospital where he was declared brought dead on arrival. "My father went to the bank for three days. He had spoken to the bank manager many times asking him to help with the withdrawal and exchange. The manager did not listen to him. He even fell on the manager's feet on Saturday," his son Ravi told HT. (Hindustan Times)

21. A farmer in UP's Bulandshahr allegedly committed suicide after he failed to exchange his old currency notes to pay for his daughter's wedding. (IANS)

22. The family of Shabana, 20, a resident of Uttar Pradesh's Shamli, alleged that she committed suicide after she could not get her hands on valid currency to pay for her treatment. (PTI)

23. Rizwana, 21, allegedly committed suicide in Delhi's Khajoori Khas area. While the kin of the deceased said that she was upset because she could not exchange currency – despite having tried for three days – the police have not been able to confirm the link. (Indian Express)

24. A former BSNL employee, Vinay Kumar Pandey, 69, died of a heart attack while waiting to exchange demonetised currency at a bank in Makronia, Madhya Pradesh. (PTI)

25. Mansukh Darji, 69, died after he collapsed while standing in a queue outside Bank of India in Limbdi town of Surendranagar district. (PTI)

26. A retired government employee, K Lakshminarayana, 70, collapsed and died while waiting in a queue at an Andhra Bank branch at West Marredpally in Secunderabad. (Deccan Chronicle)

27. Kush, an infant, died in Mainpuri after being denied treatment. Parents of the one-year-old were turned away from a private doctor on account of the demonetised notes in their possession. (Times of India)

28. Sumit Kumar, 18, allegedly killed himself in Bulandshahr because he was unable to get his hands on smaller notes. The teen, the son of a BSF jawan, failed to get his notes exchanged on two days. (PTI)

29. A 45-year-old cashier at the Neelbad branch of the State Bank of India in Bhopal died of a heart attack. The cashier collapsed at the bank at around 6pm after dealing with large crowds on Sunday. (Hindustan Times)

30. Sukhdev Singh, 50, died of a cardiac arrest in Punjab's Tarn Taran after he reportedly failed to use his demonetised notes for his daughter's wedding. (Hindustan Times)

31. Sheikh Chanda Khatun, a 50-year-old mother of three, allegedly committed suicide in Gujarat's Surat after she failed to buy groceries for her family with the demonetised notes. While the woman's children claim she consumed insecticide because of demonetization, the police have said that the death may have been brought about by a family issue. (Times of India)
32. A 40-year-old woman named Eshwaramma allegedly committed suicide in Karnataka's Chikballapur district after she lost Rs 15,000 while trying to deposit it at a bank in Gudibande. It is not clear if the woman – who had saved the amount by hiding it from her alcoholic husband – lost the money or if it was stolen from her. (The New Indian Express)
33. A bank manager at Rohtak Cooperative Bank died of a heart attack after three stressful days serving frantic customers at the bank. Rajesh Kumar, 56, was found dead in his office. (Hindustan Times)
34. Lal Muni Devi, a resident of Sapneri village in Bihar, died while waiting in a queue at a Nai Bazar (Khizarsarai) branch of the Punjab National Bank. (Times of India)
35. Aziz Ansari, 60, an employee at a power loom factory, died in Meerut after he fainted while standing in a queue at a branch of a public sector bank in Gola Kuan. His family claimed that he suffered a heart attack after waiting to exchange currency for three days. (Times of India)
36. Deshraj Singh, 55, a farmer, allegedly committed suicide in Bulandshahr's Muradpur village after he failed to withdraw money in time for his daughter's wedding. (Times of India)
37. An elderly man named Surendra Sharma died of a heart attack while waiting in a bank queue at a State Bank of India branch at Aurangabad, Bihar. (Daudnagar)
38. A 56-year-old, Khaliq Hasan, died after waiting in a queue in Uttar Pradesh's Bareilly. Hasan, an auto driver, died of a heart attack. (The Hindu)
39. Suresh Sonar, a 40-year-old man died of a heart attack in Uttar Pradesh's Ballia after he failed to exchange old currency notes at a State Bank of India branch in time for his daughter's 'tilak' ceremony. (PTI)
40. Tukaram Genu Tanpure, 54, a peon at the Rajgurunagar branch of State Bank of India on the Pune-Nashik Highway, died after he complained of severe chest pains during a busy day at the bank. His colleagues said that he was stressed out as a result of the heavy rush and was working close to 12 hours a day since the 8 November announcement. (PTI)

41. Digambar Kasbe, 60, a resident of Belapur, died after he fainted while waiting in a bank queue in Marathwada's Nanded. (Hindustan Times)
42. Ishteyak Ahmad, 70, a retired teacher, died in Uttar Pradesh's Azamgarh after he collapsed while in a bank queue. (Times of India)
43. A tempo driver, Khaleek Hasan Khan, 45, died at a bank in Bareilly after waiting for three days. He collapsed after he managed to exchange his older notes. (Times of India)
44. A 70-year-old woman named K Vijayalakshmi died in Andhra Pradesh's Krishna district while standing in a queue at a State Bank of India branch. (Times of India)
45. Abhijeet Paul, the driver of a van carrying cash being transported from a bank to a tea garden estate in Assam, was killed after the vehicle was attacked. An employee of the Pengeri Tea estate – in Tinsukia district – as well as a security personnel were injured in the attack. (PTI)
46. Saud Ur Rehman, a resident of Old Delhi, allegedly fell ill after he stood in a queue outside a bank in Lal Kuan for over eight hours. The 48-year-old was taken to a hospital where he died. According to reports, Rehman had been visiting the bank for the last two days. He would reach the bank at around 5am but the cash would run out before his turn. (PTI)
47. Siya Ram, 70, a daily wage earner, died in UP's Hathras due to brain haemorrhage. His family has alleged that his death was brought on because he had stood in long queues for three days to exchange currency at the Burz wala Kuan Canara Bank branch. (ANI)
48. Mohammed Idrees, 45, died of a heart attack after he failed to exchange old notes. He had reportedly made the rounds of a number of banks as he did not have a bank account. (PTI)
49. An employee of the Gandhi Nagar branch of State Bank India, Rampantula Venkatesh Rajesh, died of cardiac arrest. The 51-year-old was rushed to the hospital where he was declared dead. (Nagpur Today)
50. Ratna Ram, a 75-year-old former serviceman, died in a bank queue at Rajasthan's Pilani. (The Tribune)
51. SK Sherref, a 46-year-old deputy manager at a Nellore State Bank of India branch allegedly died of stress following the cash rush. (The News Minute)
52. Kamta Prasad, 75, took ill and died while waiting in a queue before Dhikauuni branch of Bank of India in Harodi in UP. (PTI)

53. Babu Lal, 50, died of a heart attack in Aligarh after he failed to exchange currency notes in time for a wedding in the family. (PTI)
54. Kaushalya Devi, 80, a resident of Karnal, died after she collapsed while waiting in a queue at Central Bank of India's branch at Chaura Bazaar. According to reports, she was at the bank to submit her pension certificate. (Tribune)
55. An 8-year-old boy died in Jammu province's Samba district after his father was unable to provide medical treatment for a lack of valid currency. Greater Kashmir reported that the man had unsuccessfully tried to exchange cash – Rs 29,000 in old notes – for three consecutive days before he carried his child on foot to a hospital almost 50km away from his village, Doonga. (Greater Kashmir)
56. Haider Ali, a tailor and a resident of Shafichak village of Bihar's Sherghati area died after he suffered a heart attack that had been reportedly brought about because he failed to withdraw money. (Times of India)
57. Dinabandhu Das, 58, allegedly died of shock when he heard that the huge sum of money he had withdrawn before the announcement, for his daughter's wedding, was not invalid currency. (IANS)
58. A three-year-old girl died in a bank in Uttar Pradesh after her father failed to withdraw money from an Allahabad, UP Grameen Bank in Tindwari in Banda district. (Hindustan Times)
59. Suresh Prajapati, a 19-year-old youth allegedly killed himself in Mawai Buzurg village after he failed to withdraw money to pay his college fees on time. (Hindustan Times)
60. Satish Sharma, 49, died in west Delhi's Najafgarh after he collapsed while waiting to deposit money in a branch of the Oriental Bank of Commerce. 57. According to a reports, Kumar, a vegetable vendor, waited for almost six hours in the bank queue. (Hindustan Times)
61. Ramnath Kushwaha, 65, a resident of Gulriha village, was trampled to death in a stampede at Tarkulwa, Deoria branch of the State Bank of India in Uttar Pradesh while waiting to withdraw money to settle hospital bills. (Indian Express)
62. Omanakuttan Pillai, 73, allegedly killed himself in his house in Kerala's Kalaketty after he failed to withdraw the Rs. 5 lakh he had deposited from the Kanamala Service Co-operative Bank. (Times of India)
63. A minor girl from a Dalit family died in Chaapar village in Banda district after her parents failed to withdraw valid currency to pay for her medical treatment. (Amar Ujala)
64. Piara Singh, an 84-year-old man, died of a heart attack while waiting in line to withdraw money from a post office in Jabalpur, Ludhiana. (The Quint)

65. Ravinder Singh, a 42-year-old farmer of Majupura village in Punjab's Majitha, allegedly committed suicide after failing to withdraw cash from a bank at Chetanpura village after several attempts. However, police have denied that his death was caused due to the cash crunch. (The Tribune)
66. Manju Manjhi, a resident of Gaya's Orma village, died after being denied urgent dialysis. According to reports, the dialysis wing of the Anugrah Narayan Memorial Magadh Medical College in Gaya refused to accept his demonetised notes of Rs 500. (Times of India)
67. Jilubhai Khachar, 70, died after he suffered a heart attack outside a Bank of Baroda branch in Gujarat's Ranpur. (PTI)
68. Indrasani Devi, 70, fell ill after waiting for three hours outside a Central Bank branch in Ratsad area of UP's Ballia and later died of a cardiac arrest. According to reports, Devi's daughter-in-law was forced to queue up at the same bank in order to withdraw cash for her cremation ceremonies. (PTI)
69. Murti Devi, 85, died while waiting to withdraw money from a Punjab National Bank in Muzaffarnagar's Hanuman Chowk. (PTI)
70. Akbar, 27, a rickshaw-puller, allegedly committed suicide at Khujra, near Bulandhahr after he failed to exchange four demonetised Rs 500 notes. (PTI)
71. Chiranji Lal, a 70-year-old man, died after he fell sick while waiting in a queue in Kaladera, Jaipur. He collapsed on 22 November and was rushed to a hospital. (PTI)
72. A pharmacist allegedly committed suicide in Karnataka after being accused of stealing. The brother of the 27-year-old man told Bangalore Mirror that the manager of the pharmacy at Subbaiah Hospital on MS Ramaiah Road in Mathikere had accused him of stealing after he refused to exchange demonetised currency. (Bangalore Mirror)
73. A 19-year-old youth allegedly committed suicide in Ludhiana after the note ban rendered his savings worthless. The deceased, identified as 19-year-old Lucky, was into the rag-picking business. (Times of India)
74. A former serviceman died in a bank queue in Ladnu city of Nagaur in Rajasthan. Veteran Prahalad Singh, 70, fainted while waiting at a branch of the State Bank of Bikaner and Jaipur. (The Tribune)
75. Congress leader Darshan Singh died of a cardiac arrest while taking part in a Gwalior Janakrosh rally to protest demonetization. (PTI) 29 November

76. Prabhati, a newly-married woman, was allegedly killed by her in-laws in Rangipur village in Odisha's Ganjam district after her family failed to pay them dowry of Rs 1.7 lakh in the new notes. The wedding took place on 9 November, a day after the announcement. (Financial Express)

77. Dharani Kanti Bhowmick, 56, a resident of Bhowanipore in Kolkata died while standing in the queue at an ATM in Bhowanipore for three consecutive days. (Catch News)

78. An elderly man died after he collapsed while waiting in a queue at a Bank of Baroda Jalandhar branch in Bhagwan Mahavir Marg. According to the Hindustan Times Reports, the deceased, a cloth trader, was withdrawing money for his son's wedding. The bank manager reportedly paid the man's relative's Rs 10,000 for treatment. (Hindustan Times)

79. An 80-year-old man died while he was waiting to withdraw cash from the State Bank of Bikaner and Jaipur in Rajasthan's Rajgarh town. The deceased – Munna alias Mohan Lal – collapsed after he took the cash from the bank. (PTI)

80. A man named Shibu Nandi allegedly committed suicide in Behala after he failed to pay his labourers their wages owing to demonetization. The exact date of the incident is unclear. (Catch News)

81. Payday blues: Many unable to access salary as ATMs, banks run dry; RBI maintains 'no cash crunch' stance (Catch News)

82. A 32-day-old girl died in the arms of her mother, Arguna Khatoon, while she was waiting in a crowded room at a branch of the United Bank of India in Bihar's Balrampur. A mob vandalised the bank after news of the infant's death spread. (The New Indian Express)

83. Biswadeb Naskar, an 80-year-old pensioner died after he took ill while in queue to draw his monthly pension in front of the branch of the UBI Bank at Raidighi in South 24-Parganas district. A resident of Kankandighi in the Raidighi police station area, Naskar was taken to a local hospital where he was declared 'brought dead'. His body was taken to Diamond Harbour for post mortem. (PTI)

84. 72-year-old Rabin Mukherjee died just after withdrawing money from an SBI branch at Machlandapur town. His body was taken to a hospital in Habra for post mortem. (PTI)

85. Kallol Roy Chowdhury, a 45-year-old succumbed to a heart attack while standing in a queue outside an ATM near Kolkata. The deceased was a state government employee, who was posted in Cooch Behar district. The incident took place near Bandel station, in Hooghly district. (India Today)

86. Razia, a 45-year-old mother of four, died days after she allegedly self-immolated on 20 November when she “failed to exchange six demonetised notes of Rs 500 denomination after repeatedly standing in queues outside banks”. Razia, a resident of Shahjamal area of Aligarh, was a mother of four. (The Hindu)

87. Modu Singh Gurjar, 46, an employee of Rajasthan Tourism Development Corporation (RTDC) died after he suffered a cardiac arrest while standing in a bank queue to withdraw money. He was at a bank in Chandwaji town when he complained of severe chest pain and fell unconscious. Gurjar was soon rushed to the nearby hospital but was declared dead on arrival. (PTI)

88. Ibohanbi Akoijam, a 70-year-old pensioner died after fainting in a queue at the head post office in Imphal. Officials at the post office said they gave the man first aid. Since there was no sign of improvement he was shifted to the regional institute of medical sciences in Imphal. (IANS)

89. An elderly woman, who was standing in a queue outside a bank to withdraw money died in Ludhiana after she was allegedly pushed by a bank guard. Her kin have accused the security person for pushing the woman which leads to her injuries and death. (ANI)

Note: This is an incomplete list

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Our Money, Our Right

Towards a Transparent and Accountable Financial and Banking System

Appeal to political parties by people's movements, civil society organisations, trade unions and concerned citizens on finance and banking, with a request to include these in your election campaign for 2019, including in the election manifesto.

The finance and banking sector have never been as precarious as it is today. The mounting NPAs, demonetisation, proposed bank mergers, weakening of RBI, crippling the economy by introduction of GST, charging the customers for basic banking services taxing them and pending Wage Revision for Bank Employees are only a few amongst the various ways in which the policy changes manifested, affecting not just the citizens, but the economy of the country, shaking the foundations of our financial system and Public Sector Banks.

The upcoming general elections in 2019 will be crucial in many ways, particularly for the financial and banking sector. It will be an opportunity for political parties to commit to correct the past mistakes and take proactive initiatives to put systems in place for strengthening the sector and making it transparent and accountable.

It is in this context that this appeal to you. As a party, which has taken pro-people positions in the past and has been a champion of progressive policies, we hope that you will include the points raised here in your manifesto, as well as in your election campaign.

Should you prefer a meeting, an opportunity for us to present the key aspects of this note, some amongst us would be happy to meet you and further discuss these.

Whitepaper on Demonetisation

Demonetisation, which rendered 86% of the currency at the time of its announcement invalid, with announced objectives of unearthing black-money, stopping terror funding, abolishing corruption and checking counterfeit currencies, has imposed unaccountable miseries on people. With more currency in circulation than at the time of demonetisation, with over 99.3% demonetised currency returning to banks, with increased cases of

counterfeit currencies, corruption and terror activities there is no evidence that the purpose of demonetisation was ever met. Yet, the unorganised (informal) sector which constitutes country's 83% of workforce was shattered. More than 100 people died due to hardships imposed due to demonetisation, over 100 cases were filed against people holding huge amount of fresh currency and few bankers (specially in private banks) of aiding hoarding of new currency. The only sector, which benefited from it seem to be the Fintech companies. The Parliamentary Standing Committee on Finance could not complete its enquiry because BJP MPs stalled the process.

After two years, it is very clear that demonetisation did nothing to achieve its stated aim, but on the contrary has destroyed a major part of the economy, that was a source of livelihood for the poor, lower and middle class.

We demand a whitepaper on demonetisation, capturing the economic and social costs and benefits of it. The purpose, objectives and the outcome of demonetisation require a public scrutiny, which we expect to happen through the whitepaper on it and its presentation in the Parliament.

Addressing NPA crisis

The central problem of the Indian banking industry is the piling of Non Performing Assets (NPAs) worth over Rs. 10 lakh crore, which have accumulated on account of faulty lending practices, which favoured Corporates. The RBI and the government chose to not intervene between 2008 and 2014, but rolled out a series of restructuring and readjustment policies, prompt corrective action that was not prompt, all of which contributed to intensifying the crisis. Instead of timely and stringent actions on the defaulters, the RBI and the government policies focused on tightening the banks. From the restructuring policies, introducing Insolvency and Bankruptcy Code (IBC) that resulted in huge haircuts, merger of banks, attempts to privatise banks have only been detrimental to the banks and helped the defaulters. This shows the lack of political will to address the issue of NPAs in a fundamental way. Even the recommendations made by the Parliament Standing Committee in Feb 2016 are ignored.

We demand publication of defaulter lists, a transparent recovery measures, assets recovery procedures including attaching of properties and sale, along with a moratorium on wilful defaulters, companies and their offshoots, from accessing any fresh loan or restructuring.

We demand strict action against defaulters. Commercial banks should keep away from high risk lending and instead let a new development bank take the role of long term, high risk lending, as recommended by Standing Committee on Finance, in its report on the *Banking Sector in India – Issues, Challenges and the Way Forward* (May 2018), a comprehensive social and environmental safeguard policy to ensure the risks related to litigations and delays due to negative impacts on people and environment are mitigated are essential to fundamentally address the NPA crisis.

Strict Action Against Wilful Defaulters

More than 82 per cent of the NPAs are due to corporate defaulters. One third of that belongs to just 40 Corporates. The government and the RBI have not released the name of the wilful defaulters, nor has there been any actions against them. Even the list of written off accounts are not made public allowing them to cheat another bank. The PSBs should be empowered to take strict action against wilful defaulters, thereby recovering the bad loans and setting deterrence to the potential violators of loan terms in future. We demand that the names of the top 500 wilful defaulters should be made public. There has to be criminal procedures against the wilful defaulters.

Strengthening RBI

The destructive interference in the operations of key institutions was the hallmark of this government and the case of Reserve Bank of India was no different, jeopardising its independence. Using its Board as a rubber stamp to legitimise demonetisation was just one of them. Appointment of RSS ideologues at its Board only confirms the fear of turning critical institutions such as RBI as pawns of the government. Attempts to dig deep into RBI's reserves to bolster its capital requirement to announce sops with elections round the corner exposes the myopic vision of systems and structures for economic stability. We

demand complete political non-interference in the functioning of RBI and instead should take steps to strengthen its independence. Appointments to its Board should be made more stringent and transparent, based on experience and expertise rather than ideological leanings. Accountability should be fixed on RBI with stronger reporting system to Parliament and better transparency.

Political Interference in PSBs

The political interference in the functioning of public sector banks (PSBs) has promoted crony capitalism and corruption. This has resulted in mounting non-performing assets (NPAs) and the political patronage for certain corporations crippled banks' will to recover money from the defaulters. We demand complete political non-interference in the operations of PSBs and incentivise prudent recovery of bad loans. Instead Accountability should be fixed on the Chairman, MD and Board of Directors.

Depositor Rights

In the history of Indian Banking, depositors of PSB have never been under such tremendous pressure like the last four years. With policies like demonetisation that resulted in a country wide chaos, the FRDI Bill that sent panic that depositors might loose their savings, the increased and huge charges on banking transaction and the eminent threat of bank privatisation has all contributed to many even closing accounts with PSBs.

As attempted in the failed FRDI Bill, depositors are now being made to be stakeholders for the losses of the banks. Hence, we demand that depositors should be empowered with full disclosure by the bank about investments of their deposits and the risks involved and mitigation plans. Depositor should have the right to assert not to invest in certain sectors, which are proven to be detrimental to humans and nature. Depositors should be provided with policies, which guide the investments of their bank. Banks should not impose charges on depositors for basic banking services.

Bank Charges

Service charges on banking services have increased drastically in the previous few years. Primarily, banks are in the loss due to increased non-performing assets and provisions needed for them. The loss has been caused by corporate defaulters but the burden of this loss has been shifted to common people in the form of increased bank charges despite the fact that these charges amount to merely 1% of the total amount of bad loans. Depositors are being charged for almost every banking service such as cash transaction at branches, ATM transactions, change in ATM pin code, change of mobile number or address, SMS alerts, changes in KYC related documents etc. The Government along with the RBI must come up with the clear guidelines for banks to stop charging customers for each and every banking service and take actions against real culprits who have caused the loss to banks.

Strengthening rural and agricultural credits

Agriculture is the backbone of our economy. Keeping this in mind, in the nationalisation era, PSBs had taken efforts to improve agricultural credit by having mandatory priority sector lending. Further the direct credit within priority sector also aided in the credit needs of farmers. But changes in such policies and including agro based industries for priority sector lending, has severely affected credit flow to the farmers.

After nearly three decades of economic liberalisation, farmers are worse off and indebted. There's an alarming rise of debt in the farm sector. Banks having nearly withdrawn from rural and small agricultural credit, farmers were forced to approach informal credit sources, consequences of which was unfolding the past many years in the form of suicides of thousands of farmers.

We demand that farm loans of small, marginal and subsistence farmers should be written off. And banks should step in to support the sector with providing credits. Crop Insurance should be done by Public Sector Insurance Companies and not by private companies like Reliance.

Strengthen the devastated unorganised sector and small businesses

Demonetisation had the maximum impact on unorganised sector and small businesses. GST has made it only worse. They being the largest workforce in the country, contributing more than half of our GDP, priority should be given to the sector to rebuild and restore it. They require seed money for start-ups, Equity Support, Loans, marketing support and common support services.

Transparency and Accountability

‘Sunlight is the best disinfectant’. Absence of transparency and accountability at all levels of appointments and decision making has been fundamental to the cancer of crony capitalism, corruption, under performance, loss making and the monumental social and environmental costs, which the irresponsible investments are causing. We demand mandatory policies pertaining to transparency and accountability for all banks, including RBI, NABARD, SIDBI and Private Banks.

Banking Activities without Banking Licence

There are many Fintech companies, which are into lending which is a banking activity. There are no supervisory mechanism or Licence. They charge huge interest. They have to be immediately brought under RBI supervision.

Social and Environment safeguard policies

Large-scale development projects have been seen as imperative for the economic and social growth of the country. But, such projects have had adverse effects on the lives of people in project areas and also have done irreversible damage to the environment. The civil society movements have raised these issues with financial institutions funding such projects. Coming under the pressure of such movements major multi-lateral development organisations had included social and environment safeguards to their investments. These remain one of the tools of holding these institutions accountable.

National financial institutions specially the public sector banks are today primary lenders for such developmental projects in India. But PSBs do not have any mandatory guidelines to ensure that their investments do not cause harm to the common people of the country and destroy the environment. This coupled with lack of due diligence and reckless lending have also caused severe crisis within the Indian banking sector. Hence there is a need to develop robust safeguard policies.

Appointment of Employee Director / Officer Director

The board of the banks is where decisions, inter alia, of the large scale loans are decided. Unfortunately, the posts of the employee director at the PSBs have been left vacant for far too long and thus preventing their voices at the Board has been a strategy of this government.

As a crucial stakeholder of the decisions of the banks, employees have to be a part of this decision making. We demand immediate appointment of employee director in all PSBs and policies to ensure that such appointments are not delayed in future.

Bank Merger

The government says its plan to merge one weak bank with two stronger banks will help to mitigate the burden of bad loans and further increase the lending capacity of the amalgamated entity. The merger may help clean up bad loans of the weak bank, but it would also necessitate more provisions by the new bank. Further, the new bank lending to the same large borrowers, without recovering existing bad loans will only result in more loss for the bank. Not just commercially unviable, but a three-way merger among banks with different administration will only result in an administrative chaos.

Mergers cannot resolve or clean up the balance sheets; rather the NPAs of the three merged entities would simply add up. The improvement in certain ratios, if any, would amount to mere financial engineering, without resolving the actual problem. Should learn from the mistakes of merging SBI with Associate Banks.

Privatisation

Public Sector Banks have been the driving factor of Indian economy since the nationalisation of banks in 1969. While private banks are confined to urban areas, with no branches or nearly no services in rural areas, PSBs serve one and all. Policy changes and political interference in the recent years have weakened and made them vulnerable, mounted the burden of non-performing assets and ended up charging for their services, hitting the poor the most. These are weakening the PSBs and steps like bank mergers are steps towards privatisation of PSBs and it should be vehemently opposed. Going forward, the PSBs must be strengthened, help them recover the bad loans from wilful defaulters and remove the bank charges introduced in the recent past and ensure its independence without political interference. We request you to give all assurance that “ Public Sector Banks will be strengthened and No Privatisation of PSBs”

GST

1. There should be greater relaxation for MSMEs for GST compliance, as the GST system invariably discriminates against MSMEs vis-a-vis large companies, as a large amount of working capital of MSMEs has to be devoted towards GST compliance.
2. There should be a lower tax rate for mass consumption goods, which should be compensated by levying a higher tax rate for luxury consumption goods.
3. The tax collection targets of the Government should come more through a progressive direct tax system, with higher tax rates for individuals in the high income category. GST or any such indirect tax is regressive as it puts more burden on people from economically weaker sections.
4. States should have a higher representation in GST council for determining the tax rates, on the lines of federal cooperation, which would also lead to offsetting the higher amount of control with the central government through a mechanism like GST.

Development Financial Institutions

Development Financial Institutions were established with the purpose of financing the mid and long-term large development projects and they have played a paramount role by contributing to the industrial growth and overall growth of the nation. During India's economic liberalisation, these banks were slowly eliminated or transformed into commercial banks. With the dismantling of development banks, the scheduled commercial banks were forced to engage in long term lending, which parked the considerable part of banks' capital and led to shortage of capital for other banking activities. Additionally, banks adopted aggressive lending practices and issued big loans without due diligence increasing the non-performing assets to an unprecedented level. The Standing Committee on Finance, in its report on the *Banking Sector in India – Issues, Challenges and the Way Forward* (May 2018) also made the recommendation to go back to the previous model of development banks for medium and long-term lending. The government should make sure that there are adequate development banks to provide long term lending for development projects so that commercial banks can focus on short term lending and other economic activities.

Parliamentary Oversight on IFIs

While their lending has been minimal, the influence of the International Financial Institutions (IFIs) on our economy and our policies have been disproportionate to the lending volume, facilitating and augmenting changing the fundamental structure of public sector, many of them privatised at throw-away prices. Yet, Parliament does not have a role when negotiations are underway with the IFIs. The highest law making institution of the country is handed down a decision made by the IFIs and bureaucrats, without a thorough deliberation on its impacts on people and the economy. We demand a Parliamentary oversight of all IFIs at all stages of negotiations, decision, monitoring and post evaluation of lending, to ensure that country's interests are not compromised.

Ease of Doing Business Ranking

In a hurry to jump ahead in the Ease of Doing Business rankings, the government has reportedly taken 10,000 steps, most of it amending policies, as acknowledged by the Prime Minister. These policies are related to labour and environment standards, eliminating public hearing from the approval process for certain projects and diluting forest and land use policies. Considering the devastating impacts this could have on people and economy, we demand that the amendments are made to only strengthen the policies and wherever it has diluted or weakened it, it should be reversed.

Strengthen Co-operative Banks and Co-operatives

Co-operative Banks and Co-operatives like primary Agriculture Co-operatives are the ones catering to the poorer sections of the societies. They are neglected and there is an effort to privatise urban co-operative Banks. They have to be strengthened through NABARD and not allowed to dilute their goals.

Support RRBs and Stop Efforts to Merge them

Regional Rural Banks are doing a yeomen service in the rural areas. From 198 there number is reduced 56. There is another attempt to merge them state wise. This will defeat the purpose for which they were initiated. They have done well and they should be strengthened.

FRDI Bill

Because of people's relentless campaign the Financial Regulation and Deposit Insurance (FRDI) Bill was withdrawn by the government, which otherwise would have risked depositors savings and would have jeopardised the existence of PSBs. However, the government is trying to bring in elements of FRDI Bill through different legislations.

We demand that such a move is reversed and resist the attempts of Financial Stability Board to meddle with our banking system.

Corporate tax wave off

Government should end the practice of waving off corporate tax year after year. The average corporate tax waiver the past few years have been more than Rs. 5 lakh crore per year – which is nearly one-fifth of the Union budget of past years.

Parliamentary Standing Committee Proceedings

Proceedings of Parliamentary Standing Committee on Finance should be made public and aired live to the citizens enabling them to watch and follow them, like in many other democratic countries. Such transparency would not only enhance accountability amongst members and parties involved, but also ensure active and responsible citizenry.

Accountability of Regulators

The Regulatory Bodies should be accountable to the Parliament – submitting regular reports, which in turn is made available to the public. The Regulatory Bodies should engage with and consult investors, depositors, policy holders, pensioners or borrowers regularly to take feedback and in fine tuning the policies of regulation. The appointment and/or extension of tenure of the Chairpersons should be decided by a Parliamentary body, not just the Finance Minister and/or Finance Secretary as it is practiced now.

Centre for Financial Accountability (CFA) engages in critical analysis, monitoring and critique of the role of financial institutions – national and international, and their impact on development, human rights and the environment, amongst other areas.

CFA partners with civil society groups, social movements and community groups in trying to ensure that financial institutions are transparent and accountable to the people.

We critically examine and monitor National Financial Institutions (both banking and non-banking), multilateral and bilateral institutions, export credit agencies and the new banks - Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB).

Our work includes both research and programmes. We publish information resources and policy analysis. Our awareness programmes work towards demystifying finance through increasing public awareness and encouraging public debates about issues of financial accountability.